

US-EC trade talks

Personal chemistry is vital to the equation



Music industry Playing safe with

the same old tunes



Marketing

Selling coffee to the Brazilians

D8523A



FINANCIA

Europe's Business Newspaper

brings big charge

Ford Motor of the US yesterday reported a \$7.4bn loss for 1992 compared with a loss of \$2.25bn a year earlier. The size of last year's losses was due largely to a \$6.9bn non-cash charge to meet changes in accounting rules. The Ford charge is one of the highest reported, but it will be dwarfed by a \$20.8bn charge due to be announced by Gen-eral Motors today. Page 13; NBC apologises, Page 12

Framatome may buy Schneider arm: French electrical engineering group Schneider is in talks about seling its Jeumoni-Schneider, electronic components arm to state-owned nuclear reactor supplier Frametome. Page 14

Toyota profits fall: Japan's leading vehicle maker reported a 22.3 per cent drop in interim taxable profits. It biamed lower interest income and exchange rate losses. Page 17

Canon poised for hardware deak Japanese office equipment maker Canon is set to acquire the computer hardware business of innovative US company Next Computer, in which it already holds a 16.7 per cent stake. Page 13



General Colin Powell (left) is thinking of retiring early as chairman of the US joint chiefs of staff, but he denied this was because of disagrees with the Clinton administration. Gen Powell's second two-year term as chairman of the joint chiefs expires in September, Page 12

Jail for Irish bomb supplier: Irishman James Canning, 37, was jailed for 30 years in London after being found guilty of conspiring to cause explosions, possessing explosives and having six Kalashnikov rifles.

Call for Danube monitors: Bulgaria and Romania have asked the United Nations to station monitors at ports on the lower Danube to check whether sanctions against the rump of the former Yugoslavia are being observed.

Action against Citibank: Court appointed officials running UK conglomerate Polly Peck international have started legal action in London against US bank Citibank to try to recover about £75m of missing funds. Page 21

Commercial Union, the UK insurer, launched a £428m rights issue to fund expansion in the UK and international markets for general and life insurance. Page 13; Lex, Page 12

Rough diamond prices are rising for the first time in almost three years. South Africa's De Beers, which controls about 80 per cent of the market, said it was putting prices up by an average 1.5 per cent. Page 22

Renelling boarders: Britain has issued its first official notice telling shipowners how to protect vessels from pirates. Crews are advised to turn fire hoses on attackers, but the ban on guns aboard merchant ships will stay in place.

Taiwan fighter production: Taiwan is to atart mass producing its domestically-developed Indigenous Defence Fighter aircraft next year. It aims to make 250 of the fighters by 1999.

Asia pipeline plan: China and Japan's Mitsubishi Corporation are to study the feasibility of building a 4,200-mile trans-Asia natural gas

Taple sparks row: French urban affairs a row with his political allies in the Left Radicals Movement by announcing he would run for parilament in a colleague'a constituency.

Human rights group highlights jali risk: Aboriginals are 17 times more likely to be jailed than other Australians, according to Amnesty international. The human rights group said Australia's criminal justice system made Aborigines vulnerable to violation of their right to be treated with humanity and respect.

Honorary consul: Robin Geldard, a Cardiff-based commercial lawyer, is to be Japan's first honorary consul in Wales. Japanese companies employ more than 13,000 Welsh workers.

High hops: German brewers are hoping that a US Specelab experiment will help produce new and better types of hops. Astronauts will test hops for the effects of radiation and weightlessness.

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Ford loses \$7.4bn Steel output as rule change guidelines may be set by Brussels

Commission will refrain from dictating price levels

By Lionel Barber and Andrew Hill in Brussels

THE European Commission is considering a new role as EC steel market supervisor, setting non-binding guidelines on future production levels.

The plan, aimed at tackling Europe's steel industry crisis, is under review in Brussels. But the Commission will stop short of dictating prices and production levels to individual companies, like the "crisis cartel" set up by Viscount Etienne Davignon, then industry commissioner, during the early 1980s, BC officials stressed yesterday.

Under the proposals, Brussels would lay down recommendations on production and delivery levels within the EC for each quarter. EC officials maintained yesterday that this would not encourage a cartel. "We don't have to tell them what to do." said an EC official, "and thay don't have to phone each other." Another measure under review is for the steel industry to pool

ing of each individual sector.

The Commission is antique to place the burden of decisions about restructuring on Europe's steelmakers, and does not wish to be accused of manipulating the market. But Brussels believes it between steelmakers and govern-

"crisis funds" for the restructur-

EC officials said yesterday the Commission will make clear it is willing to support an industrywide restructuring plan only if Europe's steel-makers produce a "definite" closure programme hy the end of September which can be carried out by the end of 1994, according to a senior EC official. A future rescue plan is also

heavily dependent on the support of EC mamber states which would have to bear a portion of the EC funding of up to Ecu900m to cover redundancy costs. The overall cost of restructuring could he more than Ecu6bn according to a report by Mr Fernand Braun, the EC'a apecial

steel envoy. But the Braun report warns that without a rescue plan involving some increase in prices in the next few weeks or months some of Europe'a largest steel makers will see their cash flow dry up or turn negative by the end of the year.

The report, delivered to the Commission last week, includes a range of potential cuts in capacity which were put on the table by around 70 managing directors of EC steel companies in the past four months.

Mr Martin Bangemann, EC Industry commissioner, has begun capyassing fellow Commissioners' support and will have to present formal proposals next Wednesday. The EC will discuss the steel industry crisis at a special meeting on February 25.

The deepening recession forced steelmakers to raise earlier estimates of possible capacity cuts to 25.8m tonnes of crude steel and 17.9m of rolled products. At least 50,000 Jobs are likely to

ing to an estimated Ecu2.5bn in social costs and Ecu3.5bn in industrial costs, the report says. Certain manufacturers and governments, for example in

Spain, are already concerned that they will be forced to cut more capacity than they would like. But Commission officials are adamant that this time around the industry will have to agree a closure plan first.

Italian **Socialist** justice minister

resigns

ITALY'S fragile coalition government yesterday suffered its most serious blow when Mr Claudio Martelli, the Socialist justice minister, announced his resignation after becoming the latest casualty in the country's growing convention scandal.

Mr Marthil's resignation came after he was told that he was

under investigation for corrup-tion related to a servet Swise bank account alleged to have been used to appear bribes paid to the ruling Socialist party. six ministers left in the 24-strong

open a special two-day assembly today to find a successor to Mr Bettino Craxi, whose joh Mr. Martelli was eager to secure. Last night magistrates issued a sixth warrant against Mr Craxi. Barlier, Milan magistrates said they had prepared a fifth war-rant advising him he was under

investigation for alleged corrup-

coalition government, is due to

tion and illicit party financing. The latest warrant against the Socialist party chief in the unfolding scandal which broke last February is connected with similar allegations made against Mr Martelli. These relate to the fraudulent bankruptcy in 1982 of the Banco Ambrosiano. Both the Socialists and tha

Christian Democrats, which dominate the coalition, last night appeared determined to prevent the crisis leading to the downfall of the six-month-old

Mr Martelli, 49, was deputy head of the previous government and one of the most ambitious of the younger generation of politi-cians. His resignation knocks one further nail in the coffin of the existing political parties, whose discredit grows almost daily as magistrates carry out charges in their investigations into corruption.

Mr Martelli resigned as he was about to be served with a war-rant by Milan magistrates which for allegations made by wit-nesses who confessed to collecting illicit party finds in the municipal corruption scandal. Mr Martelli has consistently

denied newspaper allegations of involvement in the corruption scandal and links to an account it the Lugano branch of the Unique de Banques Suisses held by the Socialist party.

Afthough three ministers in

the current government have been served with notice of being investigated by magistrates for s variety of alleged offences. Mr

Continued on Page 12 World Stock Markets, Page 34

Major faces party rebels over Maastricht treaty it as unhelpful, but added: "There row 21 vote overall majority

By Ivo Dawnay, David Gardner and Ivor Owen

THE government threw down the gauntlet to Conservative Eurosceptics and the opposition parties yesterday by insisting it would rather sink the Maastricht treaty outright than accept Brit-ish adherence to the social chap-

But as Mr Douglas Hurd, the foreign secretary, issued the warning, Lord Tebbit, a former party chairman, urged Tory MPs to dely the leadership and vote for a Labour mutuerian on the social chapter - expressly in order to destroy the treaty.

In a vituperative speech to political journalists, the arch Euro-sceptic argued that support lead to its imposition. He said: "Those who are fighting to preserve self-government for Britain are well entitled to use every procedural device to destroy the

treaty" Lord Tebbit's intervention provoked an outcry from government loyalists and put the anti-Maastricht faction on the defensive. Sir Teddy Taylor, a leading. opponent of the treaty, described

is no way we are going to co-operate in the treaty going through if we don't get a referen-

The latest outbreak of internecine warfare within the Tory ranks came as Mr Jacques

Editorial Comment ... Page 11

Delors, the European Commission president, joined the fray by implicitly criticising the UK with his most stinging attack yet on the "renationalisation" of eco-nomic policy in the EC.

In a Strasbourg speech presenting the Commission's programme for 1993-94; he said competitive devaluations were jeopardising union and "the very idea of a united Europe". Mr Delots also - can only ratify the treaty that we warned that Brussels would "take up the cudgels again" to, get controversial items from the EC's Social Charter into Commte nity law - a move that will confirm the worst fears of British

Conservatives. The government's decision to raise the stakes over the vote . despite commanding only a nar-

came after careful consultation between Mr Hurd and Mr John Major, the prime minister. In a BBC radio interview, the foreign secretary called on Conservative MPs to take note that "we are not going to join a treaty which imposes the social chapter."

Downing street insisted that the prime minister was confident the party would support the government in the Commons' vote, expected in about six weeks time. But a senior official stressed that there was no possibility of Britain returning to treaty negotiations with its European Community partners if the amendment was passed.

"The politics of this is that worms everything comes out. We negotiated. If it is not ratified by all 12, the treaty does not come into heing," he said.

In fact, a defeat for the government on Labour's amendment. would not necessarily halt the ratification process.

Continued on Page 12

Belgium pledges to defend jittery franc

By Andrew Hill in Brussels, Antonia Sharpe in London and David Waller in Frankfurt

BELGIUM said yesterday it would use "all possible means" to defend its currency, as the Belgian franc was caught up in the latest bout of nervousness in the exchange rete mechanism.

The Belgian National Bank raised its end-of-day interest rates - applied to primary dealers and banks' daily currency stments - from 8.8 per cent to 9.3 per cent to help protect the

The step helped the Belgian franc to strengthen within the ERM, after several days of weak-

Belgian's interest rate action. countering the recent trend of lower European credit costs, came as the German Bundesbank yesterday fractionally cut its money market rates.

In its first money market operations since it cut the Louibard and discount rates last Thursday, the Bnndesbank reduced its securities repurchase rate from 8.57-8.58 per cent to 8.50-8.51 per cent. Tha cut was amaller than

axpected after the Bundesbank cut the Lombard rate by half a point and the discount rate by 0.25 of a point. in a move related to last week's heavy ERM intervention to sup-

port tha Danish krone, Denmark's central bank yesterday borrowed \$1bn in the international bond market to strengthen

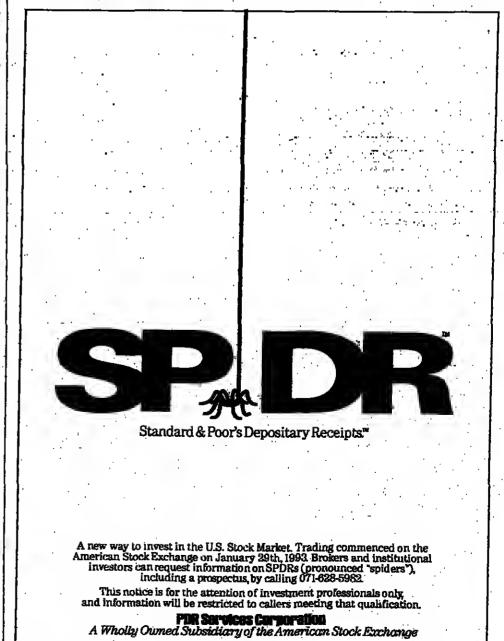
its foreign exchange reserves. Mr Niels Sorensen, a senior official at Denmark's National Bank, said the central bank's reserves had fallen considerably in February. When the specula-tion subsides, money usually flows back [into the krone], but since we are not sure when that will be, we thought it would be a good idea to do some borrowing, Mr Sorensen said.

In Brussels, Mr Alfons Verplaetse, governor of the Belgian central bank, said: "I'm con-vinced that right now there is no speculation going on against the Belgian franc.
"It's true to say that the cur-

rency markets are very nervous, but whatever the nature of this nervousness one can't say that wa [only] defend the Belgian franc whan things are going smoothly," Mr Verplacise said. Mr Varplaetse added he was sure the French franc was "a solid currency". He could not envisage a situation in which the German and French central banks would collaborate to support the French franc and the D-Mark, leaving the Benelux cur-rencies undefended.

Barre sounds alarm, Page 2 Currencies, Page 30

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FT World Actuaries

French right plans state sell-offs

TAX reforms and state spending cuts, and an esti-mated FFr50bn (26.25hn) worth of privatisations over three years ere promised in an election manifesto presented jointly yesterday by France's two centre-right opposition

Greeted as "empty, vague and worrying" by the ruling Socialists, the programme is less sweeping than that of the previous right-wing govern-ment in 1986-1988 and reflects the opposition's limited room for manoeuvre at a time of slow growth and monetary instability. "Clarity, change and prudence," were the key

rou, UDF secretary general. The opposition alliance, fighting as UPF or Union for France, is set to win the elections, on March 21 and 28, by a record margin, with around two-thirds of the seats in the national assembly, according to recent polls. Yet the mani-festo does little to reconcile splits between the pro-Euro-pean UDF and the Gauilist

assembly deputies voted against the Maastricht treaty on European monetary and political union last year. On monetary policy, the future French government says it will present plans in the

RPR, balf of whose national

France independent and do all that is needed to support the franc. It proposes a joint Franco-German monetary initiative "so as not to lose the achievements of 13 years' co-operation in the EMS". This is likely to antagonise the anti-Maastricht faction in the RPR.

On privatisation, the UPF plans to sell all state-owned banks, insurers and industrial companies operating in competitive markets. An independent agency will set share prices and select stable share-holders for the privatisation candidates. A significant amount of shares will be reserved for private investors. State monopolies, like tele-

opened to competition and their equity capital will be gradually opened to outside investors. The privatisation programme is far less ambi-tious than that of the last right-wing government, estimated by Mr Edouard Balladur, finance minister of the time, at FFr140bn; a reflection of the fact that today's stock

market conditions are poorer. On the domestic economy, the manifesto promises a job creation drive, through a "pact for jobs" between companies and regions to hoost training and recruitment, to he rewarded by lower social security and other charges. In addimust come down, especially for the middle classes, one-man businesses and to belp research and training, it says. It promises tax and nther incentives - including a large public works programme - for construction and housing.

On the government's finances, the UPF plans to reduce the budget deficit - officially estimated at FFr184bn last year - by FFr110bn over the next three years, according to Mr Alain Juppe, the RPR's secretary general. Of this, FFr30bn to FFr40bn would come from spending cnts, FFr15bn from the impact of

Metal union threatens strike

By Judy Dempsey in Berlin

Metall, Germany's engineering trade union yesterday said it would use the strike weapon "as the last resort" if employers refuse a wage increase of over 10 per cent this year for its members in east Germany.

The warning follows the

start of arbitration talks in Saxony last week. Further talks take place in the other east German states over the

next few weeks.

Previous talks broke down after the employers' union said it would not accept rapid pay increases which would bring east German wages up to 82 per cent of west German levels from the 70 per cent level at

present. Yesterday, Mr Klaus Zwickel, vice chairman of IG Metall. said the employers' union was "reneging" on its commitment to income parity between west and east German states by 1994. "The employers are provoking us. We signed a contract in 1991. And we will stick to it. It is only fair, particularly since east German workers have to pay west German prices, and have seen housing and other subsidies

sharply reduced."

Mr Zwickel rejected criticism that his union was pricing east German workers out of the market - despite the fact that unit labour costs are about 150 per cent higher and productivity is lower than 70 per cent of west German

But IG Metall union officials conceded that It might not have full backing for any strike call because rising unemployment is eroding the union's active membership.

Most engineering workers. some 750,000 in the east German states, are members of IG Metall. But since unification the number east German engineering workers who have actually got a job has shrunk to 300,000. Also, 50 per cent of these are under the supervision of the Treuhand, the east German privatisation agency. Further privatisations could reduce the clout of I G

"We do not want to be pushed into a strike," said Mr Zwickel. "But we will not let our employees he pushed

However, several factory managers in west Germany yesterday believed that the employers' union would find a way out of the contract by invoking "revision clauses". This means that employers can argue that if the developments in the new east German states deviated from their original plans, the parties have the right to reconsider the clauses of the original contract.



Bonn gloomier on outlook for west Germany

By Quentin Peel in Brant

THE German government yesterday produced its gloomiest annual economic report in a decade, forecasting a decline in gross domestic product of up to 1 per cent. It was promptly attacked by the opposition for excessive optimism.

Mr Gunter Rexrodt, the newly appointed economics minister, said all the economic indicators for west Germany were negative at the turn of the year, including industrial orders, production levels. investment activity, capacity utilisation and, above all, unemployment.

In the east, however, there were a few hopeful signs, especially in construction activity and the service sector. ery was still decidedly besitant, he said.

The other element of extremely cautious optimism to emerge from the report, presented to both cahinet and parliament yesterday, was the forecast that wages will grow by less than the rate of inflation in the coming year. Gross wages would rise between 2.5 and 3 per cent, compared with price rises of around 3.5 per cent, it suggests.

Mr Rexrodt said the priority for the German government must be to avoid slipping into an all-out recession, although Mr Otto Lambsdorff, his own party leader in the Free Democrats (FDP), says the economy is already in its sharpest post-

Mr Rexrodt stressed the importance of the solidarity pact under discussion between the central government, the 16 Lander, and the opposition Social Democrats, as well as employers and trada unions. He said he had heen instructed to produce a report on how to improve the attrac-

tiveness of Germany as an investment location, reducing

the high cost structure and increasing labour mobility, by September The key figures in the government's forecast for the year are a decline in GDP no between zero and one per cent for west Germany, an expan-sion of 5 to 7 per cent in the east, with an all-German fore-

cast of zero growth. Average unemployment in the west is predicted to rise by some 450,000 to 2.25m, or a rate of 7.5 per cent, and to increase only marginally in the east to around 1.2m, a rate of 15 to 16 per cent: the national average unemployment would be 9 per cent, the report says.

It forecasts a growth in exports of 1.5 to 2.5 per cent in the west (8 to 10 per cent in the east, where exports to eastern Burope have collapsed), based

on the assumption of a steady revival in world trade, especially in the US economy.

It is based on important

assumptions: of a successful conclusion to the Gatt round of trade liberalisation talks; gradual relaxation of international interest rates; a slight depreciation in the value of the D-Mark; substantial efforts to restrict public spending; and wage moderation, including a slowdown in the rate of equalising eastern with western wages. It particularly criticises the "hlatant disproportion" between unit wage costs in east and west Germany, with the former now 60 per cent higher than the west, in spite of the collapse of the eastern

Mr Wolfgang Roth, SPD ecowas no clear indication where the 5 to 7 per cent growth rate in east Germany would come from, given the collapse of east German industry. As for a zero overall national growth rate, that would require immediate reversal of the steady contrac-

He sharply criticised the

Bundesbank for its failure to cut its lead interest rates more aggressively. He said last week's cuts - half a percentage point of the Lombard rate, from 9.5 to 9 per cent, and a quarter point off the discount rate, to 8 per cent - were a "mincing step" which was "pure poison for the economy". Mr Rexrodt, however, insisted that only if the central government and the Laoder could restrain spending, and the trade unions showed wage restraint, would the central bank have further room for interest rate reductions.

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Ex-premier Barre: Tam not among

Barre sounds the alarm over Anglo-Saxon ambush of franc

THE CURRENCY markets will launch a heavy but unsuccessful attack against the franc next month, during the French parliamentary election, according to Mr Raymond Barre, former prime minister of France.

Mr Barre, a leading proponent of the hard franc policy and a senior ally of the UDF centre-right party, said the attack will be inspired by Anglo-Saxon financial institutions unwilling to see which could rival the dollar. He does not suspect any government influence, be emphasised. The attack will be beaten off by joint intervention by the Banque de France and the Bundesbank.

"I am not among those who see plots everywhere. It's not at all my tempera-ment. But I really think there is a will in a certain number of economic and financial circles not to promote - in fact to do everything to prevent - the creation of Enropean monetary and economic union, and in consequence to blow up the EMS," said Mr Barre.

He would not be drawn further, beyond saying that he knew of a research study by (unidentified) finan-

posed by a single European currency for their own businesses. "It's my absolute and objective conviction. I expect. as a result, that there will be a strong assault on the franc before the elections, nr in the period of the elections or just after the elections," he said.

The vote, on March 21 and 28, is likely to produce a record parliamentary majority for the opposition ceotreright alliance of the RPR, which is divided over the Maastricht treaty on political and monetary union, and the pro-European UDF. "When these foreign circles see that a strong part of RPR is hostile to the Maastricht treaty and to French monetary policy, they ask themselves if a government of the new majority tomorrow would be uni-fied enough to hold the political line."

The right-wing leaders are so firmly in favour of holding to the franc for policy that the new government would find it very difficult to let the franc float or to go for devaluation, be argued. "Absointe determination" will be required of the new French adminis-

If monetary union succeeds in some form, as Mr Barre believes it will, he argues that the new European currency will have the status of a widely used

commercial, financial and reserve curcommercial, financial and reserve cur-rency, similar to sterling at the end of the 19th century. The day you have a European currency which is used in the trade exchanges of the first commercial power in the world, the European Com-munity, the day when it's possible for Community banks to use the Ecu, and when their reserves will be held in the Eco, we will have the real alternative to the dollar. Money is power - that's what it's about," said Mr Barre.

He believes that the future currency, possible towards the end of the decade, will initially include seven (France, Germany, the three Benelux countries, Spain and Italy) or eight members. The Bundesbank will again support

the French currency in the speculative attack likely next month, partly because 'it won't want to take the risk of letting the EMS collapse. The Bund-esbank cannot take this responsibil-ity." But, just as important, said Mr Barre, is that "the Bundesbank considers that the fundamentals of the French economy are satisfactory. I am convinced that, if the fundamentals had been negative, the Bundesbank would never have supported them. even in taking into consideration the

Stronger Franco-German links urged

By David Buchan in Paris FRANCE could consider narrowing the franc's present margin of fluctuation against the D-Mark but only if it got some right to "co-manage" such a "D-Mark zone", a French opposition leader said

Addressing a conference on "Europe: the Way Ahead", sponsored by the Financial Times and Les Echos, Mr Edmond Alphandery said the joint programme of the UDF-

are ahead in the polls for the March election, was designed to reinforce Europe's integration and its monetary system.

"This will necessitate without doubt a new Franco-German dialogue in the monetary domain," said Mr Alphandéry. a UDF deputy who is tipped as a possible finance minister if the opposition wins in March.

Mr Alphandery stressed there was no chance of any new centre-right government devaluing the franc. It would, instead, seek to take mnnetary policy out of the political arena by speedily introducing legisla-

RPR opposition parties, which tion to make the Bank of that conditions in 1997 will be verse in the Community, But France independent.

But the Inherent "instabillty" of the BMS, conceded by Mr Alphandéry, led Mr Peter Sutherland, chalrman of the conference and of Allied Irish Banks, to urge an immediate move to monetary union by a smaller number of EC countries rather than waiting for 1997, the earliest date foreseen in the Maastricht treaty. France, Germany, the Benelux countries, Denmark and Ireland, Mr Sutherland said, "could be ready to go ahead

now. So why are we waiting?

There is nothing to suggest

the pensions

administration

professionels, in

husiness to save

ynu time and

money. And with

the hallmerk

of quality to

guerentee their

any better than they are now." Caution about rapid moves to economic and mooetary union (Emu) came from Mr Daniel Band, chief executive of Barclays de Zoete Wedd Holdings. The lesson of turbulence on the foreign exchanges was, he said, that "economic convergence has to precede exchange rate convergence

He objected that the pursuit of Emu had made the EMS too brittle

Mr Jean-Pascal Beaufret, deputy director of the French Treasury, said that, with Emu,

capital markets would coo-

he suggested this would stop short of the concentration that had taken place in the US, with New York becoming the only major financial marketplace. He said equity markets would remain largely national and he vaunted the merits of Paris.

Mr Gilles Menage, presiden of Electricité de France, said there was effectively a single EC market in electricity already, with his own stateowned utility exporting 13 per cent of its output. He called for Brussels to take a "less dog-matic" approach in introducing greater competition.

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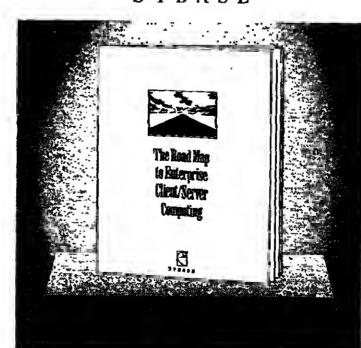
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Shevardnadze hope of Karabakh peace

By John Lloyd and Steve LeVine in Tbilisi

MR Eduard Shevardnadze, the president of Georgia, said yes-terday there "were grounds for optimism" for peace between Armenla and Azerbaijan, which have been fighting for five years over the disputed enclave of Nagorno-Karabakh.

The former Soviet foreign minister also warned that the forces of democracy in Russia were "more troubled than ever" warnedthat their defeat would be "a disastrous event for the world."

Mr Shevardnadze said that in recent meetings with Mr Levan Ter-Petrossyan, the Armenian president, and Mr Abulfaz Elchibey, the Azerbaljani president, he had found there was the political will to attempt a negotiated settlement.

I think that we have come to the point when all our people are tired of this conflict. We (three Caucasian presidents) are all of the same

Mr Shevardnadze said con-

itlook fe

German

been discussed - and that both sides would "bring these

ideas out in negotiations." Mr Elchibey said at the weekend that "in one or two months, the psychology of peace will show its head" and that the three presidents. together with Mr Boris Yeltsin, the Russian president, "have common thoughts, common ideas among ourseives". He warned, bowever, that reac-tionary forces in Russia and in the Caucasian states were

blocking peace initiatives. The Nagoroo-Karabakh conflict has claimed nearly 3,000 lives and was further escalated when Armenian and Karabakh forces established a land hridge through Azerbaijani territory last aummer. Over the past few days. Armenian forces have taken Azerbaijani villages to the north of Karabakh, following earlier setbacks.

Mr Shevardnadze hopes to convene a meeting of the Caucasian presidents, prohably in Thlisi, to seek a basis for nego-tiation. He calls his project an sky over the Caucasus". He also hopes to involve the north Caucasian republics in Russia.

The Georgian leader also expressed hope that agreements, due to be signed between Georgia and Russia over the next two weeks. would produce a better climate for a settlement of the conflict in the Georgian province of Ahkhazia where separatist forces are fighting Georgian troops. He said Russia could play a "positive role in settling the conflict" - though he accused units of the Russian military and mercenaries from the Russian north Caucasus of

supporting the Abkhazians. He said that he thought it was a "possibility" that United Nations troops would he involved in Ahkhazia.

The Georgian economy is suffering from acute energy and other shortages. Mr Shev-ardnadze said that former Georgian leader Zviad Gamsakhurdia had made a "tragic mistake" breaking trade and other



Bosnia lays down terms for talks

By Robert Mauthner In New York

THE BOSNIAN Moslem foreign minister, Mr Harls Silajdzic. yesterday said his government could not continue to negotiate a peace settlement for Bosnia-Hercegovina "with a gun at

Speaking at the United Nations shortly before the US was due to announce its own peace proposals. Mr Silajdzic said be believed Washington's involvement would secure an international settlement based

on democratic principles. He made clear that the Bosnian government would rejoin the negotiations, which it has virtually boycotted since they were moved from Geneva to New York at the beginning of last week, only if certain condi-tions were fulfilled. These were that the "genocide" of the Bos-nian Moslem population be haited and that the heavy weapons of all sides in the con-flict be placed under effective international control.

"If any side does not comply with the placing of heavy weapons under the physical control of the UN, then force should be used."

A particular effort had to be

made to help the Moslem population of eastern Bosnia, which was currently the victim of intensive "ethnic cleansing" policies undertaken hy Bosnian Serb militia and had become "the most endangered species in the world". Aid convoys have been unable to reach this

Mr Silajdzic said it was astonishing that the Bosnian government was being blamed hy international negotiators for blocking a peace agree-ment, when UN security council resolutions on the supervision of heavy weapons and the delivery of humanitarian ald were not being implemented.

If the latest security council

resolution on the delivery of humanitarian aid remains unenforced, then other "more creative options" should be exercised in getting aid to the needy, he sald. The security council could authorise air drops of food, as well as opening Tuzla airport for incoming

Reuter adds from Geneva: UN special investigator Tadeusz Mazowiecki yesterday said he was prepared to resign if concrete measures were not taken to prevent human rights

Challenge over EC passport checks

THE EUROPEAN Commission has been formally challenged to act on a specific complaint about continued passport controls in the EC's barrier free internal market. Euro Citizen Action Service

(Ecas), a lobby group, has asked the Commission to act authorities for refusing to let a Dutch citizen board a ferry from Vlissingen to Sheerness in the UK without a passport. Ecas opened a telephone line in the first weeks of 1993 to gather comments about internal border controls, which it believes should have been lifted on January 1. It hopes to

in Belgium, as a test case against countries which have refused to lift such controls. For now, all t2 member checks on intra EC travellers arriving at airports. Nine conti-nental member states are try-

use the complaint of Mr Abra-

ham Mooy, a Dutchman living

ing to lift controls by year-end. hut Britaln, Denmark and Ireland are likely to maintain checks beyond then. Mr Mooy's complaint is against Dutch immigration authorities and officials of the

shipping line, which refused to let him board the ferry on January 15. He had forgotten his passport and showed officials his Belgian identity card. The case could embarrass

the new internal market commissioner, Mr Raniero Vanni d'Archirafi. who has sald he does not want to provoke a confrontation with member states over passport checks.

German union leaders call protests over steel job cuts

TRADE union leaders ln Germany called yesterday for mass protests by steel workers, after reports that the newly-merged Krupp and Hoesch steel companies plan to close down an entire plant in either

Dortmund or Duishurg. Union officials said that Mr Hans Wilhelm Grasshoff, chief executive of Hoesch Stahl, told a meeting of union members at the Westfalenbutte plant that company plans to cut monthly production capacity from 700,000 to 550,000 tonnes meant that an entire steel plant would have to close.

There was no formal confirmation from Hoesch Stahl last night, where a board meeting was still in progress late into

more drastic than last week's ioint announcement by Krupp Stahl and Hoesch Stahl that one blast furnace would be closed down temporarily because of the downturo in the steel market.

That proposal is for the furnace to shut down for five months. The shut-down, beginning on March 1, will put 600 steel workers on short-time working.

The growing backlash from the unions over a potential threat to as many as 25,000 steel jobs follows a call from the opposition Social Democrats (SPD) in the German parliament for an emergency **Quentin** Peel in Bonn reports on the growing political row over proposals for restructuring the German steel industry with its

some 25,000 jobs national congress of steelmakers, unions, central and state governments, to draft a plan of

potential threat to

action to tackle the growing However, the steel industry in Germany has broadly welcomed the plan proposed by the European Commission for capacity cuts in exchange for new state aid.

Mr Ruprecht Vondran, head association, told an emergency debate in the Bundestag yesterday that the proposals were close to those put forward hy the industry and the German

parliament. It was critical to see the final form which would emerge from negotiations between the 12

He said the aim ahould be not merely to stop the slump in profits of European steelmakers, hut simultaneously to ensure a fair market for steel

If the industry was expected to find a common way out of the crisis, then all must operate on a clear legal basis, he

Subsidies to the industry had created a backlog of restructuring which would be painful and costly to overcome.

The entire burden could not be put on the public purse, and the steelmakers would have to pay for their own restructuring to a large extent, he said.

If one enterprise was expected to help its competitors to close down surplus capacity. finance social programmes for redundant workers, or even create alternative employment, it must be certain of being able to use higher capacity itself in return, Mr Vondran said.

tected from market dumping hy competitors in eastern Europe, and from producers who have been forced out of the US market by the protectionist measures introduced by

Who is going to pay a competitor compensation to the tune of millions, if a third producer, free of all such hurdens. is able to skim off all the advantages of a cutback in supply?" he demanded.

This is what will decide whether Brussels, or indeed the German government, is really serious about restructuring the steel industry," the German steel chief said.

Brussels defends motorcycle plans

PLANS to limit the power of motorcycles and prevent tam-pering with moped engines are meant to make EG roads safer, the European Commission said yesterday, Reuter reports from

Brussels. Critics say the EC's executive is meddling in matters the prerogative of manufacturers, but Commission officials said

they had backing from governments and manufacturers. The proposal to han motorcycles over 100 hrake horsepower would affect only a small num-

ber of machines, they added. It would bring the EC in line with Japan, which has had a 100 brake hp limit for 15 years and makes more powerful models only for export, a Commission official sald.

The proposal bas been in trouble getting through the European parliament because some MEPs have taken the part of motorcycle users, arguing that factors other than horsepower cause road accidents. The parliament was to vote on the legislation late yes-

being drafted, would set technical specifications for mopeds, aimed to prevent users tampering with engines to make them more powerful.

The two proposals are among 24 draft laws to set up a single set of technical specifications for two- and three-wheeled



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Japan baffled as US reassesses relationship

Washington and in Tokyo.

Mr Lord is a China hand and

is surrounding himself mostly with like-minded people, with Mr Thomas Hubbard, a Japan

expert and most recently dep-

nty amhassador in Manila.

back on board running the

But no sign exists of a deci-

sion on the successor to Mr Armacost. Japanese nerves

were jangled during the tran-

sition by rumours that the

lery. It had just been valued at only Y500m. Some of the sale

proceeds were used to hoy

shares in Heiwa Sogo, hut it is alleged that other funds were

given to politicians, including

Y300m to a secretary to Mr

Takeshita, according to court

testimony by former executives at the bank.

But the secretary, Mr Ihel

Aoki, who is at the centre of

the mystery, committed suicide in April 1989 amid another

scandal, the Recruit stocks-for-

favours affair. This was the

scandel which ultimately

forced Mr Takeshita to resign

Japanese prosecutors are

also ettempting to link the sale

of the golden screen to the

eventual takeover of Heiwa

Sogo hy Sumitomo Bank in

October 1986, though there is

no suggestion that the latter

bank has done wrong.

Mr Takeshita, who knew executives at hoth banks, is

as prime minister.

Washington and Charles Leadbeater in Tokyo

SUCCESSIVE Japanese governments have operated in the sure knowledge that the connection to Washington was "the most important hilateral US relationship in the world". Every US president for the last 30 years has said it, and so, as both candidate and presidentelect, has Mr Bill Clinton.

But two senior Japanese cabinet members. Mr Michio Watanabe, foreign minister, and Mr Yoshiro Hayashi, finance minister, are coming to Washington this week apparently unsure this is still the case.

been well advertised. Uncertainty exists over whether the Clinton administration is free-trade or protectionist and. if the latter, the extent to which Japan, with its \$50bn

plus, will become a target. Every prononneement hy every newly installed US official is scrutinised with minute

care by the Japanese. Beyond commerce, there is also concern about the general US commitment to Asia and particular worries about the new US approach to China. Mr Winston Lord, state department under-secretary with regional responsibilities, is a former ambassador to Beiling and a conspicuous recent critic of Chinese externat and

human rights policies. Yet Tokyo's concerns, which extend beyond concrete policles, are not exactly mirrored in Washington. This may well be the essence of the current

Japanese foreign policy tends to be rooted in certain anchors, such as the relation-ship with the US. For 10 years, from 1977 to 1987, the ultimate assurance of continuity

THE Jepanese car industry and authorities yesterday welcomed the decision by the US big three car makers not to file a dumping suit against Japanese manufacturers, but expressed continuing concern over protectionist tendencies in the US, Michlyo Naka-

The ministry of international trade and industry said the decision reflected a sensible judgment. Mr Yutaka Kume, chairman of the Japan automobile manufacturers' association, said it was the "right decision". He reiterated the industry's belief it had not been dumping in the US market.

ing presence in the Jananese capital of Ambassador Mike Mansfield, whose understanding of Japan was exceptional and whose political power in Washington (he was a long-standing senator) effec-tively kept the lid on successive administrations' intermittent inclinations to take a tougher line with Japan.

Mr Michael Armacost, his successor, displayed some of the same skills, but with nothlike the political authority.

W Japan wonders who be the next "minder" guished Japanologist from the the relationship in University of California, best ing like the political authority. Now Japan wonders who will be the next "minder"

ing towards Japan. In a recent New York Times

article, Mr Johnson wrote that the US should recognise its "fallnre" to open Japanese markets and "start over". A new approach was justified on grounds that Japan, as It admits, is not the kind of capitalist economy envisioned hy the Gatt negotiators." That is the sort of language that scares Japan to the core.

Mr Johnson probably will not get the joh, hot the absence of a clear candidate concerns the Japanese, due to their addiction to form over substance in foreign policy.

Thus, it matters to Tokyo that no meeting has yet been arranged between Mr Clinton and Mr Kilchi Miyazawa, Japanese prime minister, whereas Presidents Reagan and Bush both met Mr Miyazawa's predecessors immediately on assuming office. Not all the

known as the "godfather" of hlame for this omission is laid the revisionist school of think- at the US door. The truth is that Washington has not yet got round to thinking much

about Japan. But two developments this week, the US commitment to seek an extension of the fasttrack negotiating authority on trade and Detroit's decision not to go ahead with antidumping sults against foreign car makers, offer some generalised reassurance.

Equally, the weekend session between Mr Hayashi and Mr Lloyd Bentsen, treasnry secretary, (the first he has held with a foreign finance minister) seems to indicate the US appreciates Japan's place as an important player in the Group of Seven.

Mr Bentsen has talked of the need to revitalise the G7 before the annual summit in Tokyo in July, with a finance ministerial meeting planned for March as the next step in

Watanabe's agenda. He will propose replacing the longrunning Strategic Impediments Initiative with new institutions to discuss trade and medium-term macro-economic issues, such as the US federal deficit, rather than details about the imbalance in particular industries.

Just as Washington's internal politics and personalities are receiving minute attention in Tokyo, much inevitable emphasis is being placed there on the views of Mr Mickey Kantor, trade representative. One official said he could be bad news if led by protectionist sentiment, but he might be good news, if the president were really in charge of trade policy. Trade relations could get a lot worse or a lot better. We just don't know yet."

What to the US is a natural assessment of the relationship appears to Japan as con-

If the panel's proposals are

adopted, an auditor's term will

be extended from two to three

ised at Y500m (£2.6m) or more,

or with dehts of Y20hn or

more, must appoint three audi-

tors, one more than is now

requirement that one of three

auditors should be indepen-

dent. Japanese companies have

traditionally appointed audi-

tors from among middle-man-

agers passed over for promo-

tion to the senior ranks or

from among executives due to

retire but wanting to maintain a presence within the com-

But most controversial is the

ears, while companies capital-

Israelis kill two in Gaza clashes

ISRAELI soldiers yesterday shot dead two Palestinians and wounded at least four others, one of them an 11-year-old boy, during clashes in the occupied Gaza Strip. Renter reports from Jerusalem.

The army confirmed soldiers had killed two Palestinians hut gave no details on the

wounded. Palestinians in the Gaza Strip said soldiers manning an army post in Jabalya refugee camp shot and wounded several people when a crowd of

youths stoned them.
In the business district of Arah East Jerusalem, horder police fired live rounds into the air and shot tear gus and rub-ber hullets at demonstrators who threw stones and hurned tyres, police said.

Four cars were damaged but no one was wounded in the East Jerusalem clash, which hegan when police arrested two youths after an Israeli bus was stoned. A third Palestinian was arrested during the unrest.

Iraq rejects deal over iailed Britons

Iraq yesterday turned down on appeal to release two Britons serving long jail terms for illegally entering the country, the head of the British Red Cross said, Renter reporta from

Mr Michael Whitlam, director general of the British Red Cross, said he had offered Iraq's deputy prime minister, Mr Tariq Aziz, further humanitarian assistance to the Iraqi people if Mr Michael Wainwright and Mr Paul Ride were set free. Mr Wainwright, 42, was sentenced to 10 years after cycling into Iraq from Turkey last May, Mr Ride, 33, was jalled last August for seven years for straying across the border from Kuwait.

of a ceasefire

Rwandan rebels yesterday said they were ready to end three days of fighting with govern ment forces hut would not withdraw from territory they had captured. Reuter reports

northern districts as the rebel Rwanda Patriotic Front's clan-

the announcement. Refugees continued to trek

Golden screen haunts LDP

By Robert Thomson in Tokyo

THE MYSTERY of the golden screen is haunting Japan's rul-

ing Liberal Democratic Party. This unsolved case of alleged corruption - involving banks, senior politicians and an exquisite Y4hn (£23m) traditional folding screen - has resur-faced this week, at a particu-iarly had time for Mr Noboru Takeshita, the former prime minister.

He is to appear before parliament next week - with Mr Ichiro Ozawa, a former LDP secretary-general - to answer questions over a separate scan-dal involving illegal donations hy a road haulage company, Tokyo Sagawa Kyubin.

Opposition parties delayed the passage of the hudget for the fiscal year to begin in April, so as to force the LDP to offer the two politicians for formal questioning. This will be the third such appearance in recent months by Mr Take-

Simultaneously, a former auditor at Heiwa Sogo, the small bank at the centre of the screen mystery, is on trial for commercial breach of trust, and is expected to explain at resisted demands that he



Takeshita: The former PM is to appear before parliament next week, with Mr Ichiro Ozawa, a former LDP secretary-general, to answer questions on a scandal involving filegal donations

least part of the background to resign from parliament. the mystery in coming days. His testimony could provide opposition politicians with a further opportunity to undermine Mr Takeshita, who has

The gold-leaf screen mystery began in 1985, when there was a struggle for the control of the ailing Heiwa Sogo, and four of its executives sold the screen for Y4bn to a Toyko art gal-

believed to have played a role in bringing them together, and opposition politicians want to him to clarify whether he saw tery to him.

Late last year, Mr Takeshita said the affair was also a mys-

Move to make Japanese groups more transparent least a 10 per cent stake in the company before getting access and then to a calinet meeting next month.

By Robert Thomson in Tokyo

A GOVERNMENT advisory panel has recommended that companies be required to appoint independent auditors. in an attempt to make corporate Japan more transparent and less prone to scandal.

The Justice Ministry is likely to draft legislation to amend the commercial code based on the panel's recommendations, hut the changes will he opposed hy many companies, as auditing has traditionally been an in-house operation in Japan.

A spate of securities industry scandals and demands for increased shareholder rights prompted the panel's review, which included a study of whether companies should be able to huy their own shares. No formal recommendation was made on this controversial issue.

But the panel did recommend that shareholders should have improved access to company accounts. Under present legislation,

shareholders must have at

to the account books, but the minimum shareholding needed is likely to be reduced to 3 per That change, and a simpler

court filing process for class actions, are in line with US demands for an improvement in ahareholder rights in Japan. The demand was made during the hilateral Structural

Impediments Initiative (SII) talks, designed to reduce the "structural" obstacles to trade. The panel also recommended that restrictions on corporate bond issues be eased, in particular a requirement that companies must Issue bonds to a

total less than twice the net

value of its assets. Corporate bonds are becoming increasingly popular among Japanese companies, but there are still strict limits on bond trading and issuance. These and other recommendations, approved yesterday by a sub-committee in the justice ministry, are scheduled to be

formally presented to the jus-

tice minister later this month.

Auditors still generally regard themselves as part of the company and it is highly unusual for them to find fault

required.

with financial statements. By the panel's standards, an independent auditor is an individual who has not worked for

the company, or any of its subsidiaries, during the past five

India's exports fall by 12.5% | Native-born PM ends reign of Chiang Kai-shek's old comrades

By Stefan Wagstyl In New Delhi

INDIA'S exports in December fell 12.5 per cent to \$1.48bn (£980m), against the equivalent month in 1991, due to weak demand in the former Soviet Union, the disruptive impact of a prolonged domestic airline atrike and unrest following destruction of the Ayodhya

The figures, released yester-

day, confirm the damage done to loteign trade by disruption to travel caused by the strike, and through the violence in Indian cities after the mosque was sacked on December 6. The fall in exports will hit

hopes of achieving a target of 10 per cent export growth in the year to the end of March 1993. A hoost to exports is a key element in India's economic reform programma. It needs them to pay for imports

of oil and capital equipment. Imports in December grew 2.6 per cent to \$1.94hn, making for a monthly trade deficit of \$460m. For the nine months to end-December, the deficit was \$3.55hn, more than double the \$1.63hn in the equivalent period of 1991.

Exports rose 3.4 per cent, with those to countries outside the former Soviet bloc up 11.4 per cent. Imports for the nine months rose 16.5 per cent.

Taiwan breaks with the political past

soldiers have fought to retain a

The old guard has finally lost. The stock market surged initially on the long-expected news, seen as providing a seal of approval for President Lee's

of Taiwan Province, is from one of Taiwan's wealthiest

Deemed an uncharismatic man, he is expected to act as an executive lieutenant to Mr

Untac infantry

Banteav Manchey

Ratanakiri, Kratie,

Kompong Cham,

Kompong Thom

Takeo, Sihanoukville,

Koh Kong, Kampot

Siem Read

Presh Viheer

Stung Treng.

Prey Veng,

Syay Rieng

Battambang

Kompong Speu

Phnom Penh

Kompong Chinang,

Kandal.

yesterday's Talpel index to

Lee is finally in a position to push forward a democratic reform programme with a minimum of opposition from

Rwanda rebels make offer

from Kigall.

The fighting raged on in destine radio station broadcast

into Kigali. Food was growing scarce in the city and prices have shot up amld panic huying. The fighting was the worst flare-up since a ceasefire was

Mitterrand urges end to Hanoi embargo

head of state to visit Vletnam. yesterday urged President Bill Clinton to lift the US embargo imposed on Renol in 1964, Reuler reports from Hanoi.

described the embargo as "an anachronism". Washington extended the emhargo to all of Vietnam in 1975, when Hanol's communists defeated the UShacked Saigon government and reunified the country.

Mr Mitterrand announced on Tuesday that France would double its 1992 aid to Vietnam this year. France gave Vietnam \$36m (£23.8m) in 1992. Yesterday, he said seven top-level co-operation agreements had heen signed between the two countries. Vietnam, bit three years ago

by the suspension of Soviet aid and now starved for capital, had approached France "with ontstretched hands", Mr Mitterrand said. He said it was appropriate

for France, given lis past ties with Vietnam, to be the first western country to help It reintegrate lntn the world Mr Miltterrand yesterday visited Dien Bien Phu, where

forces led by Gen Vo Nguyen Giap defeated a key French army unit in 1954, thus bringing an end to colonial rule. Reuter adds: Alcatel of France yesterday signed an agreement with the Vietnamese Post and Telecommunications Authority to create a digital switching joint venture called Alcatel Network

nades at a crowd of villagers who were dancing and watching videos outside a Buddhist The party a few nights ago in the village of Sret, 12 miles east of Siem Reap and the ancient Khmer monuments of Angkor, was an annual festival

a dozen men firing auto-

incinding a 13-year-old girl. Nobody is sure who carried out the attack or why, but Khmer Rouge guerrillas are

night now, but they had lived through bad times before.

Untac.

countryside.

It was not an isolated incident. In the early hours of yes-

months, as former Nationalist late sell-off hy profit-takers led

By Simon Davies

PRESIDENT Lee Teng-hui has taken a hig step towards purging Taiwan of its political domination by the ageing support-ers of Chiang Kai-shek, its founder, by appointing the first native Taiwanese, Mr Lien Chan, to be prime minister. Taiwan has been shaken by political instability in recent

Cambodia: the peace keepers and the peace breakers

vestige of control within the ruling Kuomintang (KMT) party against President Lee's reformist Mainstream faction.

pro-husiness policies. But a

Lee, without providing any when the KMT received its flare-up since a ce political challenge. With Mr lowest-ever vote of 53 per cent. agreed last August.

Mr Lien, 56, former governor within his own party. His succees has eurprised

many analysts, following his poor performance in December's parliamentary elections

UN soldiers fail to pacify the killing fields

The Cambodian peace keepers were welcomed with relief a year ago but their popularity is waning, writes Victor Mallet THEY came at midnight.

Military

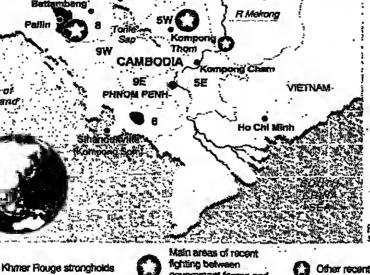
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THAILAND CAMBODIA 9E VIETNAM.



them on motorcycles, attacked Siem Reap with guns and grenades, killing at least two Cambodians and firing at Untac's pre-trabricated offices. Mr Yasushi Akashi, the bead of Untac, said he viewed the assault with "the utmost seriousness". Siem Reap is Cambodia's main tourist destination, and President François Mitterrand of France is due to go there this week to see the

temples of Angkor. The failure of the UN's largCOVERTMENT forces and he Khmer Rouge

in hringing about the ceasefire agreed by all the factions at the Paris peace conference in

Other recent clashes

Poland saw soldiers shoot dead the two passengers in the van in cold blood.

further undermined by traffic accidents involving the UN's hig white cars as well as the inevitable problems of whoring and drinking in a country where both are cheap.

Source: United Nations Transitional Authority in Cambodia (United)

Indonesia

Malaysia

Bulgaria

Turkela

of 370,000 refugees from Thailand has been running much more smoothly than expected; and Untac electoral officers in May.

But even these successes are now at risk, in its announcement last week of a goveroment offensive against the Khmer Rouge, Untac disclosed that some returned refugees had been conscripted by the government and used as forced labour.

Worst of all, there are doubts about whether Untac can ensure that the elections are free and fair", as required hy the Paris peace accords. Yesterday Mr Akashi acknowledged that he was "still not satisfied that the conditions for free and fair elections can he

The troops and guerrillas of

the four main factions should

hy now have been regrouped in

cantonment areas and dis-

armed, but the disarmament process was abandoned when the Khmer Rouge refused to co-operate. UN military observers say the civil war, now essentially hetween the Vietnamese. installed government and the Komer Rouge, has intensified since 1991, and both sides are using their weapons to intimi-

date voters. Khmer Rouge guerrillas, as well as refusing Untac officials access to most of their territory in north-western Cambodia, have seized voter registration cards from villagers in

contested areas. Government soldiers are suspected of killing more than 20 people working for the royalist party Funcingec and have been accused by UN electoral officers of widespread intimidation in the last few weeks. Untac's response has been

extraordinarily phlegmatic in the face of repeated setbacks. Lt-Gen John Sanderson, the Untac military commander, has been nicknamed "No Problem" because of his apparently incurable optimism.

Untac's defence is that it cannot impose peace by force;

fil their ohligations and for Untac to help them do so. Certainly Cambodians must accept their share of the hlame. Prince Sihanouk,

regarded hy Cambodians and foreigners alike as the one man who might be able to broker a deal between the various fac tions, has been spending more time in Beijing than at home. The Khmer Rouge bas flouted the peace agreement and the ceasefire from the start, while on the government side corrupt officials have filled their pockets with ill-gotten gains in the expectation of losing much of their power after the election.

If the elections go ahead as planned in May - and the expectation at the moment is that they will in spite of the fighting - Funcinpec is likely to emerge as the strongest party in the new assembly. The outcome of the resultant imbalance between political

and military power is that Prince Sihanouk, who coold become president, and his son Prince Ranariddh, the Funcinpec leader and possible future prime minister, will probably try to construct a coalition to accommodate both the Khmer Rouge and the present regime.

Not everyone believes it will be possible to reconcile the two factions which are even now fighting each other ecross much of northern and westero Cambodia. "I think regardless of what happens during the elections, you're going to have civil war immediately afterwards," says one senior Untac military officer. "I think it's going to be pretty intense, and f think it will reach Phnom Penh." That view is a pessimistic one, but it is not unique.

FRENCH President François Mitterrand, the first western

After a two-day visit to Hanoi, Mr Mitterrand in memory of a former abbot. Elght people were killed.

> among the suspects; three of the dead were government policemen Two days later the village looked sleepy and surprisingly cheerful. Yes, the inhahitants agreed, they were frightened at

They had survived the rule of Prince Sihanouk in the 1950s and 1960s, the dictatorship of Lon Noi, who overthrew the prince, the terror of the Khmer Rouge guerrillas who ousted Lon Nol, and the Vietnamese invasion which got rid of the Khmer Rouge. Now they had

Authority in Cambodia - was immensely popular when it was established to March last year because Cambodians thought it would stop the killing. It has failed to do so, and lts popularity is waning fast. Bangladeshi troops are stationed three miles from Sret. but they did nothing because the attack on the village lasted only five or 10 minutes before the gunmen melted into the

terday morning gunmen, some

est peace keeping operatioo. with its \$2hn (£1.3bn) budget

and its complement of 22,000 soldiers and civilians, ts as damaging for the reputation of the UN as it is for the hopes of the Cambodian people. Untac has succeeded neither

1991, nor in curbing banditry. Mutilated corpses are still seen floating down the Mekong river, and government troops continue to extort money from passing cars and river boats. In one particularly humiliat. ing incident on a road north of

Phnom Penh last month. uoarmed Untac troops from the driver of a van that had failed to stop at a casual roadhlock; then the Poles watched helplessly as the soldiers killed

Untac's reputation has been There have been successes.

indian army doctors at the Untac field hospital in Siem Rean, for example, have been treating dozens of Cambodians for tuberculosis. The continuing repatriation

have registered 4.7m Cambodians for the general election

Many rejects

palied Briton

death wer

Camdessus takes firm line on Brazil

By Christina Lamb in Rin da Janeirn

MR Micbel Camdessus. managing director of the International Monetary Fund, has told Brazil it must present an economic programme hefore full-scale negotiations can

begin on a new accord.
The decision was a disappointmeot, though no great surprise, to Mr Paulo Haddad, economy minister, who bas been in Washington this week for his first round of meetings with multilateral financial institutions and members of



Camdessus; fact-finding

the US administration. His main aim was to discuss with the IMF the targets for a new accord in place of a \$2.1bn (£1.4bn) stand-hy, signed lo January last year, wblcb collapsed after the initial payment because of Brazil's failure to

meet conditions.

Mr Rubens Pontes, the minister's chief of staff, said yesterday that the meetings bad gone well: "We didn't expect a red carpet, given Brazil's poor record of meeting IMF targets. But, In the circumstances, the reception was almost warm and the fund is definitely disposed to collaborate." Mr Camdessus accepted Mr Haddad's request to use the last accord as a basis for the new one, rather than negotiate from scratch. However, he insisted that, Brazil must put a consistent economic programme in place before new

targets could be set.

Mr Pontes said that the absence of a programme so far was a reflection of the new government's "more realistic stance. We are trying to clean the bouse and resolve a series of structural problems before

formulating a programme."

Consequently the IMF mission due in Brazil on March 1 is likely to remain of a factfind-ing rather than negotiating nature. Matters may be complicated by President Itamar Franco's decision that future meetings of the IMP and Bra-zilian government will include representatives of Congress.

Brazil is anxious for a new accord in order to move accord in order to move towarda concluding the restructuring of \$44hn in for-eign deht, for which must it put up \$3.2bn in collateral, half of which it bopes to obtain from multilateral institutions. But Brazil's continuing high

inflation remain a thorny issue. The Rio-based Getulio Vargas Foundation index put January inflation at 29.82 per-cent. However, economy ministry officials point out that some first-year targets of the last accord were surpassed. Foreign exchange reserves, for example, are at a record \$19bn and the operational deficit for 1992 was less than expected, at 1.9 per cent of GDP.

During his trip to Washington. Mr Haddad also beld talks with Mr Lloyd Bentsen, US treasury secretary, but did not seek US support in that meet-

ing.
"With Secretary Bentsen, we only had an exchange of information. There is no [commitment) from the Treasury so

IMF seeks consistent programme before economic targets can be set Poll 'won't overturn' Mexican austerity

Finance minister assures Damian Fraser tight economic policies will stay despite 1994 election



Aspe: 'We do not use stop-go policies'

EXICO'S government will maintain its tight fiscal and monetary policy throughout next year, and expects little increase in economic growth from this year, according to Pedro Aspe, the finance minister.

The austere economic policy, if adhered to, would disappoint those in and out of Mexico expecting a significant relaxation in the approach to the 1994 presidential election. The government intends to run a budget surplus of 1.7 per cent of gross domestic prod-uct this year and, through its commit-ment to a atable exchange rate, has allowed one-year interest rates to rise to about 19.7 per cent - about ten percentage points more than projected year-on-year inflation.

The tight economic policy slowed growth last year to an estimated 2.8 per cent, far below the government's original aim, and has been widely criticised for heing too cautious. The commitment to maintain the tight programme suggests the government has given up its target of reaching 6 per cent growth by the end of the administration of President Carlos Salinas de Gortari.

Mr Aspe said in an interview: "We are going to stick to exactly the same policy and [expect] growth this year of 3 per cent and next year - maybe a little more hut nothing spectacular." Fiscal and monetary policy "has been exactly the same in 1999, 90, 91, 92, 93 and it will he exactly the same in 1994. We do not use stop-go policies."

Mr Aspe remains committed to

pen as early as next month, and then to the levels of Mexico's main trading partners. The central bank reported inflation of 1.3 per cent in January, which is by tradition a high-inflation month. This was the lowest inflation for January since 1975.

The finance minister is not coo-

The tight policy has been widely criticised for being too cautious

vinced a loosening of policy would belp the ruling Institutional Revolutionary Party in the presidential election. "People would notice immediately and say: 'Oh my God what are they doing? We are going to have fun for six months and then a mess again.' You cannot fool around with fiscal and monetary policy." The Mexican government freely

admits economic growth in the short term remains at the mercy of the proposed North American Free Trade through the US Congress depends on the Mexican and the US administranons reaching prompt agreement on parallel accords on labour and the

If Nafta is passed in the US, capital

reduce inflation to single digits flows into Mexico would almost cer-which, on an annual basis, may haptainly lucrease, and interest rates could be lowered without endangering the exchaoge rate target of a maximum rolling devaluation of 0.4 of a peso per day t4.6 per cent a year). Indeed, the government is so con-vinced that Nafta would sharply alter expectations of future growth in Mexico that it has discussed ways to prevent excessive capital inflows fuel-

ling inflation.
If Nafta is not passed - which the Mexican government considers highly unlikely - the government may find it difficult to finance the growing cur-rent account deficit, expected to be more than \$20bn this year. Government officials, however, are open to increasing the maximum rate at which the peso is devalued, if that looks necessary. The government is not considering a one-off devaluation. The government is also prepared to

eccelerate conomic reforms it Nafta is not passed, in part to reassure financial markets, "We will have to speed up structural change" if Natis is not passed, says one senior official. "I think we can convince people to respond in this way, rather than shoot yourself in the foot lby reversing reforms,"

Political analysts have long speculated that rejection of Nafta would lead, in Mexico, 10 a nationalist back lash and to pressure to slow or over-turn some of the present government's economic reforms. According opening of the economy

Union threatened over wage negotiations

Bomb in Colombian oil town

AT LEAST 12 people were killed and 20 wounded yesterday in a car bomb explosion in the Colombian oil refining town of Barrancabermeja, police sald, Renter reports from Bogotá.

RCN radlo, in a report from the town about 160 miles north of Bogotá, said the death toll had risen to 14 after two of the wounded dled from their wounds, but there was no immediate confirmation from

Reports from the town said the bomb blew up five blocks from the beadquarters of USO, Colombia's powerful oil work-ers' union. USO is ln wage talks with the state oil company Ecopetrol and planned a but there was no suggestion national day of protest yester-that be might be among the

Mr Cesar Carillo, president of the oil workers' union, told Caracol radio in an interview that the union had been threat-ened with violence during the last few days as a result of the wage negotiations,

"We don't know if the victims are union members or oil workers," he said. "The authorlties are still getting informa-tion. There is a lot of confu-

Radio reports said Ecopetrol President Juan Maria Rendon was expected in Barrancabermeia at the time of the blast to inspect company installations

The last bombing in Colombia occurred on January 30 when fugitive cocaine king Pahlo Escobar allegedly set off a car packed with explosives in a busy Bogotá sbopping street, killing 21 people and wounding

There was no indication that drug traffickers might be responsible for the Barrancabermeja blast. The oil capital is, bowever, in the centre of a major guerrilla zone. Guerrillas have attacked gold and coal mines, oll rigs and pipelines, power lines, government installations and army patrols.

Clinton signs orders to reduce government payroll and perks By Jurek Martin

in Washington

PRESIDENT Bill Clinton yesterday continued his attack on excessive federal employment by signing executive orders designed to reduce the government payroll by 100,000 over the next four years. He also directed departments

to cut their management costs by 3 per cent a year over the next four years, to get rid of as many as one third of existing advisory boards and commisslons, and to eliminate a wide range of the perks available to senior bureaucrats.
The president estimated net

savings of about \$9bn and

Tuesday, when be announced a 25 per cent reduction in the White House staff, that government must learn to get by on less. "This is only a beginning, not the end," he added. Additionally, Mr Bruce Bab-

bitt, the interlor secretary. announced that be was reviewing special bonus payments made to senior members of his department by Mr Manuul Lujan, his predecessor. The leltmotif of Mr Clinton's drive to cut the size and cost of gov-ernmant is the presumed excesses of the Bush and Reagan administrations. Most of the job savings will be achieved by natural wast-

White House said. All departmental plans must be in place by 1995. Total federal employment is around 3m, including the notionally independent and 800,000-strong postal service.

Mr Clinton was expected to make much of his symbolic lead in cutting federal spending at a televised "town meeting" in Detroit, due to take place late last night. Mr Babbltt sald his most

interesting discovery was the "pony perk," a plan to expand a federally maintained equestrian complex for the convenience of government officials. That particular plan is dead as of today," be said.

NEWS: WORLD TRADE

Japan's discounts safeguarded Qatar to

By Rnbert Thomson in Tnkyn

JAPAN'S Fair Trade Commission bas ordered the sales subsidiaries of four leading electronics companies. Matsusblta Electric Industrial, Sony, Hitachi and Toshiba, to allow retailers to diacount their products without fear of losing supply contracts.

An investigation by the FTC, the anti-monopoly body, found evideoce that the four companies bad ordered large retailers not to discount the prices of electronics goods below certain specified levels. FTC investigators also said

that at least nne of the companies is believed to have offered incentives to retailers who complied with the pricing orders and threatened to cut

supplies to retailers who dared to discount deeper than the recommended level.

The case highlights the close relationship between each of the four companies and their extensive network of small dealers, who are believed to have complained to the companles that their sales were burt by discounting by larger retailers.

A recent flurry of activity hy the FTC follows past complaints by US trade officials, who alleged that the Commission was unwilling or unable to enforce Japan'a antimonopoly laws. They demanded that the Commission'a inveatigative staff be strengthened.

The Commission's investigations have almost doubled in cials have continued to suggest that the FTC is unwilling to tackle the country's better known companies or unravel the often complex relationships hetween large manufacturers

and retailers. The present case is linked to an FTC order to Japanese mailufacturers in July 1991, making clear that retailers were free to set their own prices.

Last year, sales arms of the four electronics companies indicated to the FTC that they would ahide hy the advisory. but investigations into their trading practices continued. If the electronics companies could be fined, but they indicated yesterday that executives would "study" the order to see

the past two years, but US offi- bow it affected their business

· Sumitomo Chemical of Japan and Rhone-Poulenc, are forming a joint venture company to develop and market agricultural chemicals in France, Michiyo Nakamoto adds from Tokyo. Sumitomo, which bas a

worldwide agrochemical business worth about Y6bn (£31.9m) to Y7bn and is a leader in the field in Japan, will own a large majority share of the new company, the company said. The joint venture, to be ataffed mainly by Rhone-Poulenc employees, will mostly market the French company's products, but is expected to to develop and market Sumitomo's agrochemicals in

increase steel production

By Mark Nicholson in Calro

(Qasco), which is 70 per cent

A new plant will be built under the expansion to raise capacity from the present 580,000 tonnes of reinforced steel bars by between 300,000 tonnes and 500,000 tonnes. The company's present plant, built in 1978 at a cost of \$300m, has for several years been nperat-ing at around 70 per cent of its

Mr al-Mansouri said Qasco will bave to double its paid-up capital of \$82m which, he said, would be welcomed by the company's present foreign partners. Two Japanese gronps, Kobe Steel and Tokyo Boeki, hold 20 and 10 per cent of Qasco respectively. The company would not comment on how the recapitalisation and expansion would affect its

Qasco last year made sales of \$192m and record profits of \$40m, largely through sales to

The company is aiming to broaden its market, towards the potentially vast Iranian

Potholes in the private road to public utilities

John Murray Brown reviews Turkey's BOT system

of Thames Water, the pri-vatised UK water authority, must bave thought the deal was in the bag when he flew to Ankara last Friday to sign up for a \$700m (£460m) dam project using the Build Operate and Transfer BOT form of financing, a concept pioneered hy Turkey.

As it turned out, there appeared still to be some details to attend to. Thames now hopes to initial an implementation agreement in the next couple of weeks, but that, as a number of contractors have discovered, is just the first hurdle.

The attempt to revive BOT, a method of franchise financing which uses private sector debt to fund public infrastructure, reflects the desperate state of public finances in Turkey. The move also underscores a personal rivalry between Prime Minister Suleyman Demirel and the man who more or less invented the BOT concept, President Turgut Ozal.
Under BOT. a contractor
owns a plant for a set period

- in Thames' case 15 years - before transfering It to the public utility. The contractor arranges finance, repaying the deht with revenues generated from the project. Turkey is currently looking

at three hig schemes. The Thames Water project at Izmit, south-east of Istanbul, involves dam construction, pumping stations and more than 60 miles of water mains. At Birecik on the Euphrates

a consortium led by Philipp Holzmann of Germany is looking at a DM2bn (£800m) hydro-electric scheme. Discussions are under way with Enron, the US engineer-

ing giant, on three combined cycle gas and oil power stations at a total project cost of The beauty of BOT is that it enables the government to "off balance sheet" as it shifts

finance public infrastructure the risk from the government

to the private sector. This is a key factor at a time when outstanding public and private external debt is \$56bn. In addition, bankera argue

is taking the risk, BOT will ensure more rigorous project disciplines. The onus is on the private sector developer to see the project is viable and can be completed on time - otherwise

he cannot recover his costs. Another attraction is that the consortium's financing will typically incorporate an equity lement, in effect bringing in foreign capital investment which would not be available under a turnkey government

However, where BOT has come unstuck is where discus-

The beauty of BOT is that it lets government finance public infrastructure 'off balance sheet' by shifting risk to private sector

sion turns to the levels of guarantee available in the securities package. The traditional concerns are currency risk, resource risk and, most critical of all, protection against force majeure, where natural or other disasters prevent the contractor from completing. leaving the question as to who has to repay the banks.

As a first stage. Thames bas to sign an implementation agreement which gives the consortium the licence to sell water, hitherto the state's legal monopoly. Perhaps inevitably, there is already some opposition within Public Works, the agency bandling state sector water projects, which is naturally reluctant to see its powers curtailed by a private sector developer in an area traditionally handled by government.

Accounting for resource risk will be just as challenging. According to Chase Manhattan, which is advising Thames, the Izmit authority will under-

of water a year. The terms of the offtake agreement in effect means the purchaser pays for the water whether or oot be takes delivery - the only way these BOT acbemes can hope to work.

Thames has also to secure an offtake arrangement with the Istanbul water authority, under which the Izmit authorlty will sell water on to its Istanbul counterpart.

On the Birecik scheme, for example, where Chase is also the adviser, the consortium ment with TEK, the state-owned power utility to buy the project's electricity. In addition, an accord has to be struck with DSI, the state hydraulics corporation, to guarantee that the Ataturk dani upstream discharges a certain volume of water to eoable Birecik's tur-

bines to operate. The price has then to be agreed, denominated in a hard currency. On the Ankara metro scheme, one of the rea-sons BOT failed to attract bank support was the difficulty matching the project's external deht servicing needs with the Turkish lira revenue flows

from the metro's tolls.

If these problems seem sur mountable, the parties are expected to have more difficulty agreeing a formula in the case of force majeure interrupting the revenue flows, and in turn affecting the ability of the developer to repay the

banks. Chase is using a subordinated loan mechanism, in effect a standby facility which will repay the banks in the event of force mojeure. Again, the Ankara metro, which the Treasury eventually decided to finance with a full sovereign guarantee, envisaged an unlimited subordinated loan, another reason that the BOT scheme

collapsed. During construction, Chase has set the level of the loan at \$270m, which falls away to \$50m during the less risky operational period. However, it is still unclear who will be the subordinated lender. Some observers fear this could still prove the project's Achilles

Indonesian paper mill for India

By Kunal Bose in Caicutta and Stefan Wagstyl in New Dalhi

industrial group, plans to build a Rs3hn (£62m) paper mill in The company, Indonesia's second largest combine, is submitting a proposal to the Indian government for a

201,000 tonnes a year paper mill. The mill would import

SINAR Mas, an Indonesian

pulp for conversion into paper for sale in ludia and other south Asian countries. The project is one of several investment schemes in India proposed by foreign companies since the government of Mr P V Narasimha Rao, the prime minister, emharked on economic liberalisation in mid-1991. The authorities last year approved investments totalling about \$1.3bn. But the actual flow of funds has been much smaller around \$300m. It is

Mas will go ahead with its Mr M K Rama, a leading executive in the Indian paper industry who is to head the ludonesian grnup's Indian operation, said Sinar Mas would invest a total of \$1bn in India over five years in various projects including the paper

not clear how quickly Sinar

Construction expected to start this year

Consortium meets to agree Argentina-Chile gas pipe

By Lealia Crawford

A GROUP of Chilean, Spanish and Italian companies will meet Argentine natural gas producers this week to finalise the supply contracts for a \$1bn (£600m) trans-Andean gas pipeline that will export gas from Argentina to

The consortium - formed by Chilectra and ENAP of Chile, Italgas and SNAM of Italy, and Gas Natural and Enagas of Spain - wants to tap the natural gas fields in southern

Argentina. lt will then transport gas across the Andes, along a 1,200-km pipeline to Santiago,

the Chilean capital. The pipeline is the biggest infrastructure project between neighbouring countries in Latin America since the international debt crisis of the 1980s put a halt to ambitious schemes of what were then military governments in the

Pre-feasibility studies for the pipeline bave been completed and the consortium baa retained Chase Manhattan Bank of the US to act as adviser for the financing of the

Construction began this month on a 425km nil pipeline that will link nil fielda in southern Argentina to Chilean refineries in the aouthern ports of Talcahuano and San Vicente, Leslie Crawford writes.

The \$300m project is being huilt by the two state oil companies, ENAP of Chile and YPF of Argentina, and by Sanco Rio de la Piata, an Argentina bank. The pipeline through the Andean tains is the first project

neighbouring countries. It is expected to reduce Chila's nil import bill by cutting transport costs - ENAP now imports nil from Africa. The pipeline will also allow Argentina to ship oil to the

Far East from Chilean ports

on the Pacific Ocean.

of its kind between tha two

Construction work is expected to begin this yaar, with completion scheduled for early 1996. "The pipellne makes economic sense for the two

countries," says Mr Brlan

corporate finance. 'Argentina is in a strong

position to become an energy

exporter, while Chile clearly

needs to burn cleaner fuels," he said Chilean energy officials back the project as a means to convert industry, buses, taxis and other fleets of vehicles to compressed natural gas. thereby reducing the smog

is suffocating

Santiago. Mr O'Neill believes that, if the trans-Andean pipeline is a success, Argentina will be able to set its sights on exporting natural gas from its northern fields to the state of São Paulo in Brazil, that country's

Chile'a recent return to

industrial heartland.

international atandards of creditworthiness also makes the financing of the \$1bn project more ant to be feasible. Chase Manhattan envisages a blend of funding options, including bilateral government credits, commercial bank loans and tapping of the Chilean capital markets, as well as a significant equity component from the companies

QATAR'a state-owned steel company, just emerging from cumulative losses of \$100m in the 1980s, is set to award a \$275m (£182m) contract to nearly double capacity with the aim of exporting to Far Eastern markets. Qatar Steel Company

owned by the Qatar government, said 25 foreign compa-nies have submitted blds for the project and a decision is expected within weeks. Mr Nasser al-Mansouri, head of the company, was quoted in the United Arab Emirates newspaper al Khaleej as say-ing that huilding would hegin before the end of this year.

design capacity. Qatar plans to capitalise on its considerable resources of cheap gas from its north field

shareholding structure.

neighbouring Gulf countries, Algeria, Iran and Egypt. The group's recent profits have enabled it to clear deficits incurred during the mid-1980s and Mr al-Mansouri said the company expects to complete rep**aym**ent by next year of loans taken to build Qasco's existing plant.

By David Owen

THE draft policy document on the future of Britain's threatened coal industry has sidestepped most of the main recommendations of the Commons trade and industry committee in favour of an alternative plan to expand the market

without new legislation.
The government hopes its approach will create an extra market of about 12m tonnes a year for domestic deep-mined coal, saving about a dozen

with immediate closure. The latest government hlueprint under discussion in cabinet envisages expanding the market for deep-mined coal by: Blocking imports of orimulsion - a bltumen-based fuel used on a limited experimental basis in some power stations. Slowing the plenned run-down of coal stocks. Cutting output from opencast mines.

• Using subsidies to halt growth in coal imports. it believes it can avoid the committee's more radical pro-

posals - halting purchases of nuclear-generated electricity from France, cutting the £1.2hn domestic nuclear levy and postponing electricity market liberalisation - all of which would require new legislation.

The committee's recommendations would result in an additional market of at least 16m tonnes per year, implying more than half the threatened pits could be rescued. In an unusual move, the committee plans today to use e press conference to assert its proposals could be implemented for

inally stated. A recent FT survey of the

Conservative MPs most likely to rebel over coal indicated proposals to save between 12 and 14 pits would safeguard the government's Commons majority. But the government's plan hinges on cajoiing National Power and PowerGen, the two main electricity generators for England and Wales, into signing new five-year contracts for coal purchases over and shove the 40m tonnes next year and 30m in the suhse-

much less than the £500m orig- quent four years they have tentatively agreed to huy. Senior ministers are relying

on the combination of a direct Treasury subsidy and the implicit threat of a Monopolies and Mergers Commission inquiry into the generating industry to secure a deal. They want the two genera

tors, in which the government retains a substantial 40 per cent interest, to sign a "heads of agreement" by the end of this month

While ministers acknowledge they are meeting resistance from the generators, which are ment on Tariffs and Trade. not legally obliged to huy any coal, they think the promise of five years of stability in the industry will persuade them to back down.

Mr Michael Heseltine, trade and industry secretary, has concluded that fresh legislation would threaten prolonged rows at Westminster and provoke a backlash from the generators' non-coal suppliers.

He has been advised that the overnment's plan would not fall foul of the European Commission or the General Agree-

If agreement is reached, he will present the package to MPs as e strictly limited programme to phase out existing coal subsidies, emphesising that present arrangements for the electricity market involve an implicit subsidy for coal of around £1hn a year. This would be reduced to £350m or less next year and to nothing

by 1998. He will also emphasise that the deal will permit publica-tion of a bili to privatise coal this autumn.

Leyland Daf set to cut 1,600 jobs

Around 1,600 jobs are expected to be cut at Leyland Daf, the UK subsidiary of the belea-guered Anglo-Dutch commercial vehicle maker, in a first round of redundancies that will probably be announced

Britain in brief

tomorrow. The UK workforce of Leyland Def, which collapsed into administrative receivership iest week, currently totals around 5.500 with 2,200 in Leviand, Lancashire and 2,000 in Birmingham.

Overseas banks seek debt code

Overseas banks based in London have proposed to UK banks that they should jointly set up a register of corporate loans to prevent lending to companies which already have excessive dehts.

The Foreign Banks and Securities Houses Association has sent a detailed proposal for the establishment of a register to the Bank of England and the British Bankers Association.

The proposal hints that over-seas hanks would reduce their commitment to operating in the City of London if auch a register was not created.

Assets may back school borrowing

Schools and hospitals could be allowed to horrow against their assets as the government develops its plans for involv-ing private finance in public projects. The Department of Health, the Education Department and the Home Office are among sreas where the Treasury believes there is the most scope for enabling the government's private finance initiative to evolve beyond the transport infrastructure.

London SE rules on trading to be investigated

By Richard Waters

THE Office of Fair Trading is investigating London Stock Exchange rules which have helped centralise share trading on the official UK market.

The rules guarantee that the exchange's share prices are always the best available on any electronic price system, encouraging investors to use the official market rather than trading outside the exchange. Unusually among interna-

tional markets, the London exchange controls almost all the turnover of chares in companies it lists. The New York Stock Exchange has seen trading seep away to rival eystems in recent years, while the leading European bourses have lost business to London.

According to the Securities and Futures Authority, the UK regulatory body, iess than 5 per cent of turnover in UK companies' shares takes place ontside the exchange.

The exchange's rules forbid brokers and dealers from quoting better prices on any other electronic trading system. The regulations cover both the domestic stock market, prices for which are carried on Seaq (Stock Exchange Antomatic Quotation system), and the international share market which has grown up rapidly in London in recent years on the back of the exchange's Seaq international service.

The OFT said it was looking part of our continuing exercise of monitoring City rules and practices."

The review comes as a number of rivals are looking to challenge the exchange. Tradepoint Financial Networks, a system headed by Mr Stanley Ross, a founding figure of the Eurobond markst, last week completed efforts to raise \$11m and plans to launch later this

Instinct, the Reuters subsidiary which has taken a substantial share of US trading, has also made efforts to break into the London market over the past year.

Ofwat urges companies to stop leaks, install meters

By Bromven Maddox, **Environment Correspondent**

OFWAT, the water industry regulator, yesterday urged companies to plug leaks in water mains and install more water mcters rather than build expensive new reservoirs to meet growing demand for

Mr Ian Byatt, Ofwat's director-general, said meters were installed in only 5 per cent of housebolds. But he warned that some metered customers had been charged too much for

According to Ofwat, steps the companies are taking now will account for a quarter of the rise in water hills shove the rate of inflation between 1990 and 1995.

Yesterday's report hy Ofwat is the last in a series of consul-tation papers leading up to next year's periodic review, at which it will reassess the basis for annual price rises for the first time since the December 1989 privatisation. Wide differences between the companies and the regulator have emerged on the question of how customers should pay for improvements.

Ms Janet Langdon, director of the Water Services Association which represents the 10 large water and sewerage companies, said yesterday: "Ws don't think it's yet clear that metering reduces demand - it is premature to conclude that the Department of the Environment and the companies which will be completed later this

She added: "We have a statutory duty to supply water and if it suddenly ran out there would he the most fantastic

According to Ofwat's report, average water bills for metered households in some regions were between £12 and £60 a year higher than for unmetered bouseholds, and sewerage bills were between £8 and £73 higher. The average annual bousehold water and sewerage

Mood of desperation haunts government preted. The reflex response of

HERE are dark mutterings again on the Tory backbenches. It is not so much panic, more s mood of resigned desperation. Each week it seems brings a fresb crisis, each crisis a fresb

The latest furore over Maastricht is symptomatic. Nothing new has happened. It has been epparent for months that the eventual vote on Labour's amendment to remove the British opt-out from the social chapter would create an unholy alliance to threaten the

government's majority. Lord Tebbit, Labour leader Mr John Smith and Mr Paddy Ashdown of the centrist Liberal Democrats have added

THE "polecat adorned with

ermine" - an epitapb he chose

himself - was back, Lord Teb-

bit demonstrated yesterday his

flair for grahhing the headlines

and shaping political debate at

Addressing journalists at the Commons, he said that when

he joined the House of Lords

"there must have been a good

many in high, or even low,

places muttering, 'well that's

got him nailed up safely in his

Not for the first time, Lord

Tebbit, with his caustic anti-

Maastricht plotting, was biting

at the establishment that once

himself unduly. Elsewhere st

Westminster, the reaction was

more condescending than out-

raged. Mr Douglas Hurd, for-

elgn secretary, was not pro-

voked into a rebuttal. A government official sniffed:

"He is is yesterday's

The 61-year-old former Con-

servative party chairman, trade and industry secretary,

and employment secretary, has only a fraction of the influence

he once beld. At his height be

was a close ally of Mrs Mar-

garet (now Baroness) Thatcher,

former prime minister.

Westminster.

political box'.'

fed him.

Former minister

defies party line

stated positions. The latter two insist the treaty would survive ths amendment. Lord Tehbit and his faithful band of Eurosceptics in the House of Commons are in ironic agreement with the foreign office that insertion of the social chapter would wreck the legislation.

The vote is et least four, and possibly as many as eight, weeks off. A defeat would be a serious hlow for Mr John Major. But it would be followed hy a vote of confidence. The prime minister would win. The amsndment could then be removed again at the bill'e

That the issue has caught alight so far in advance of its denouement simply under-scores the brittle confidence of

Ralph Atkins

'polecat'

of the Tories

on Lord Tebbit

Thatcherite minister, a state-

educated boy who had worked

himself to the top. His brash

style fitted in e conviction-

driven government. He told the

unemployed to get on their

bikes to look for work. He was embitious, privately harbour-

ing ambitions to be Conserva-

tive leader but left the govern-

ment mainly to care for his

wife, who was badly injured when the IRA bombed the

hotel used by the Tories during

He did not, however, have a

personal following in the

House of Commons and, after

leaving office, earned disre-

spect for raising immigration

as a political issue. Now he

risks devaluing his credibility

with each, ever stronger, out-

belief that he does, to some extent, speak the mind of Bar-

oness Thatcher - still a totem

He is a master et rahble

rousing, successfully dividing

last October's Conservative

for the Tory right-wing.

His importance rests on the

their 1983 conference.

the government and its supporters. When there is no immediate crisis in sight they go in search of one. But it is not quite so hard to

understand the undercurrents of anxiety among Tory MPs. The crumbling of confidence in the pound on financial markets has provided an awkward reminder that sterling crises happen outside as well as inside the exchange rate mechanism. Economic recovery seems elusive. The chancellor is threatening to increase taxes. Unemployment is heading above 3m. Friends in the City warn that inflation might

soon be a problem.

The backbenchers have no simple or coherent remedy of their own. His intensive prebudget consultations have left Mr Norman Lamont's ears ringing with confusion. Some want immediate tax

increases - via the extension of Value Added Tax - to halt the haemorrhaging in govern-ment finances. Others insist that any significant rise in taxation eventually would send Mr Major the way of Mr George Bush. The favoured compromise is the announcement in March of modest tax increases to take effect in December.

in truth the average Tory MP is as uncertain as the average cabinet minister ebont how best to nurture sustained recovery. As Mr Lamont discovered to his cost, in such fsbrile times even s cut in interest rates can be mis-interfrom the rooftops: the prime minister intends that his government should survive the next six months. The prevailing assumption in the cabinet is that until eco-

some has been to demand that Mr Major reshuffle his ministe-

rial team - as if a few new faces around the cabinet table

would somehow calm the mar-

kets and fill the high streets.

Mr Major does have a strat-

egy. It is entirely rational. But

it is hardly one he can shout

nomic recovery is visible and imtil the the party has stopped tearing itself, the government should be content to evoid defsats in the Commons.

Philip Stephens



Lord Tebbit, st the peak of his career as Tory chairman, halls an ovation at the 1985 conference led by the then prime minister. Margaret Thatcher. He has since been branded a rahhle rouser

warm reaction from some Tory

speech on Europe in front of Mr John Major and Mr Hurd. He is an embodiment, perhaps, European state

of the darker elde of many Tories - enunciating their fears about an encroeching But he has received a luke-

nent dissident.

Euro-sceptics. "We don't take our orders from Tebhit," said one. "We will take our own decisions in our own time.' said Mr James Cran, a promi-

Lord Tebhlt may have damaged their tactics. One loyalist

dehete ahout the opposition Labour party'e amendment to the Maastricht treaty was peaking too earlier

But thet may be too optimistic. Lord Tebhit'e talent for self-resurrection is not exhausted yet.

Acas tackles

A record 72,166 unfair dismissal and discrimination claims were dealt with by the Acas conciliation service last year - almost 20 per cent more than in 1991.

The rising workload of the service, which has a statutory duty to conciliate between employees and employers before a case goes to an industrial trihunal, shows the increased reliance of individuals and trade unions on the law to resolve disputes.

Skill shortages still exist

Skill shortages, while at a mnch lower level than two years ago, still exist especially among small engineering companies, according to a Department of Employment survey. The survey showed a sharp decline in skill shortages over the past two years. Five per cent of large companies interviewsd had hard to fill vacancies in 1992 compared with 22 per cent in 1990.

UK bids for science centre

The UK submitted an £8m bid to host a new international science centre near Cambridge The government's Medical Research Council and the Wellcome Trust, the largest UK charity, would jointly fund the building of the European Bioinformatics Institute.

EBi will provide computerised information about human. animal and plant genes to reaearchere throughout Europe. The UK is competing with Germany to host EBI, The Germans want the institute to go into a new huilding on the site of the existing European Molecular Biology Laboratory in Heldelberg. Britain, in contrast with France, Germany, Italy and the Netherlands, hosts very few European scientific institutions

London office for BFG Bank

BFC Bank, Germany's sixthlargest bank, bought a London office for £70m from Shell Pensions Trust - the latest in a recent spate of large acquisitions by German investors who are attracted by the long leases and high investment yields of London office buildings. The 216,000 sq ft building, gives the purchaser an initial yield of 9.75 per cent.

Music industry plays a familiar tune

B OB Dylan was back in London this week, singing his old hits. The critics complained that he again capturing the spirit of a former age.

Last year, the British music industry saw deliveries to record dealers drop 2.4 per cent to £692.5m - the first fall since 1980. In the most difficult trading conditions many in the music industry bave seen, companies have fallen back on old and trusted names.

Mr Simon Burke, managing director of the retail arm of Mr Richard Branson's Virgin group, says: "There's been an undue emphasis on safe bets, like Cher, Madonna, Michaei Jackson. They're eminently bankable, but they're not

Music manufacturers and retailers report that other successes have been compilations of greatest hits by familiar names such as Pink Ployd, Cliff Richard, Queen, Genesis and Simple Minds, industry Michael Skapinker examines the reliance on ageing stars by manufacturers and retailers facing recession

that although new names pop into the charts frequently, few have had a lasting impact. Mr Paul Conroy, managing director of Virgin Records, which Mr Branson sold to

executives, meanwhile, say

Thorn EMI last year, says: "There have been a lot of oneoff hlt singles. But the artists don't go off and develop acts. You look at the acts that there are and a lot of them are old Mr Burke aays: "The

strength of creative output is not as great as in the old eras of music, hut these things go in cycles. During the 1980s, music had a pretty good time, but you can't do that forever. The drop in sales has been particularly marked among the under-25s, usually e mainstay

of the music husiness. The

recession and the absence of

for the dearth of young buyers. industry executives point to the large number of alternative leisure pursuits available, particularly computer games.

Mr Burke says although music sales in Virgin stores will be higher this year than last, it is teenagers buying computer games who will really lift profits. "There's a buzz around new computer game releases that there used to be 10 years ago around new

r Brian McLaughlin, UK managing director of HMV, the music retailing arm of Thorn EMI, says sales have been better emong the 25-40 age group. "Tbey're becoming a more important part of our business. They're more interested in music than they've ever been." The compilations of old hits

have sold particularly well to this group. Many were previ-ously vinyl record buyers who are now building up compact disc collections.

A particular disappointment to the industry has been the failure of classical music and opera to retain the sales momentum they built up in the late 1980s and early 1990s. The success of Nigel Kennedy, the British violinist, and the buge sales generated by the opera star Luciano Pavarotti raised the hope that classical music had extended its appeal to more British consumers.

But Mr Burke seys: "That burst of enthusiasm for classi-cal music was a bit of a flash in the pan, it was a trend based on a few artists and a few particular works that people wanted."

The industry hopes that the

station will regenerate interest in classical music. Some classical compositions are atill attracting buyers. A surprise success has been the Polish composer Henryk Gorecki's

third symphony. Mr Rupert Perry, UK chief executive of EMI, says a music industry revival may be some way off. If past experience is any guide, be says, the music industry will recover a year after the rest of the economy. He and many of his col-leagues reject the recent accusation by Sir Malcolm Field, managing director of WH Smith, that manufacturers have kept CD prices too high and thet they should cut them to stimulate sales. "WH Smith's results weren't good, so he'a trying to point a fin-

ger," Mr Perry says. Mr McLaughlin ssys: "It's always questionable that if you

drop prices volume will go up. We're not eeeing any resistance to CD prices. CD sales are still growing, even during a recession

new hits only partly account success of the Classic FM radio It's hardly music to the industry's ears ... Delivered to shops (12 months ended - units m) Singles revenue (\$m) Trade deliveries Compact Disc 1.2 *Figures do not add up to tôb? due to rounding down

Export demand shapes pattern of regional recovery

By Peter Norman, Economics Editor

EXPORT demand is shaping the regional pattern of economic recovery in Britain, with industry in north-west England, Wales and Scotland reporting increased overseas orders following the devalustion of sterling after it left the European exchange rate mechanism in September, according to a survey published yester-

day.

The latest quarterly survey of regional trends from the Confederation of British Industry and Business Strategies, an economic cousultancy, found total manufacturing orders and output fell in all UK regions except Wales in the four months to January. Export orders increased in Wales, Scotland and north-west

England between October last year and January, while manufacturers in the north-west and south-west also increased their deliveries m overseas custom-

of central England where export deliveries are expected to be unchanged. The survey of 1,173 UK com-panles, carried out hetween December 21 and January 11, found increased optimism about the business situation

Manufacturers in all regions expect increased export orders in the first four months of this year. On balance, industrialists in all regions expect to deliver more products overseas, except in the east Midlands, the area

and export prospects over the next 12 months in all regions. Mr Charles Burton, joint

Strategies, said the linkage between increased optimism and improved export prospects gave some bope that the expected recovery would not be another false dawn.

According to Mr Andrew Sentance, the CBi'a director of economic affairs, business confidence improved most in south-west England, the west Midlands, Wales and south-east England. The amallest rise in optimism was reported in the east Midlands, northern England, Yorkshire and Humberside, East Anglia and Northern Ireland.

The survey found manufacturers in all regions expect increased orders in the first four months of this year but output is expected to grow less robustly es companies run down stocks. Companies in northern England anticipate a sharp reduction in stocks over the coming months with the result that output in that region is expected to continue falling.

The outlook for jobs in manufacturing is bleak. Manufecturing employment is expected to fall to 443m at the end of the first quarter of 1993 from an estimated 4.5m et the end of last year. All regions will experience

joh losses. London and southeast England will be particularly hard hit, with manufacturing employment falling hy about 7.5 per cent in the present quarter compared with a year ago. Wales and Northern Ireland will suffer least, with manufacturing employment forecast to fall by 3.1 per cent compared with the first three months of 1992

rom plush government ministries in Brasilia to humble wattle and daub homes in the poverty-stricken north-east it is impossible to go anywhere in Brazil without being offered a cafezinho, a small cup of strong black coffee so full of sugar that a spoon stands up in it.

12 No. 1 No. 1 . . .

* Profession bank

It is such a national symbol that last year, when the presidency wanted to convey to the people the full gravity of the country's eco-nomic crisis, it stopped serving cafezinhos in its offices. Surely the world's largest coffee-producing country does not need to advertise the stuff to its own people.

Yet Brazil is currently in the throes of an advertising blitz on television and io magazines to promote the world's favourite pick-me-up. Supermarkets are handing out leaflets and recipe cards and taste stands have become a common sight at conferences and seminars in the latest stage of the Brazilian coffee industry's first-ever promotion campaign.
For while Brazil remains the

world's second largest consumer. per capita consumption has plum-meted by almost 50 per cent in the last 10 years. The worried coffee industry started to respond in 1989 - initially through targeting retailers and trying lo encourage the public to differentiate between blends and become more discriminating. Latterly, the generic cam-paign - which has cost more than \$10m (£6.6m) and is the first of its kind by any sector of the Brazilian

n 1942, Andrex Surgical Toilet

Wadding established a set of

brand values which, in 50 years, have hardly changed.

Today it is difficult to imagine

any consumer goods company run-

ning advertising with the same bla-

tant snob-price appeal; yet pre-minm pricing remains the foundation of Andrex's extraordi-

That success was demonstrated

recently by market research which

puts Andrex into fourth place in

Selling coffee to the Brazilians

The world's largest coffee producer is fighting to maintain its home market, writes Christina Lamb

food and drink trade - has been aimed more directly at consumers. Nowhere is more associated with coffee than Brazll. It has been grown there since 1727, after n goatherd in Ethiopia discovered bis charges became more frisky whenever they ate coffee beans. Brazil is now responsible for 25 per cent of world production though coffee is

no longer the basis of its economy.

Always focused on exports, the
Brazilian coffee industry until
recently paid little attention to the
bome consumer. As a result the population thought lt was being fobbed off with inferior products and began turning to other

beverages such as tea or juice.

In 1988 a study commissioned by
the Brazilian Coffee Roasters and
Grinders Association found that 67 per cent of Brazilians thought that "ail good and pure coffee was exported and that sold in Brazil was impure and of low quality".

This was partly true. Years of constant evaluation. The seal is government price controls meant that the local industry had no incentive to produce better coffee for the domestic market. However, since 1989 a world glut and failing international prices has intensified the need to build up the home market. America Sato, president of Abic, explains: "It has become essential for our survival to recap-

ture Brazillan consumer confidence in the quality of our coffee." In its study Abic found that Brszilian per capita consumption had dropped from 4.6kg per annum to 2.8kg since the 1970s and was falling off rapidly. "We were ceding space to other drinks and there is a big potential for increase," Sato says. As a first step the industry created a "self-monitoring and purity control programme", establishing the Abic seal of quality and contracting consultants Peat Marwick now on 80 per cent of coffee for domestic consumption.

The 600 members of Ablc united

to invest \$2m a year in marketing. "If we were to reconquer the consumer it had to be through an institutional campaign rather than just separate companies advertising their own products," says Sato.

Abic contracted the São Paulobased Rino advertising agency with the aim of increasing total con-sumption by 20 per cent in the next two years to 11m bags (each 60kg). Rino Ferrari, who heads the cam-paign, says: "It is a major challenge. Coffee has a serious problem in Brazil. It's not just a matter of saying coffee tastes good, but of totally changing the image of coffee."

The liberation of prices in 1991 meant that the industry could concentrate on quality for the home market and the latest stage of the and Ernst & Young to oversee a campaign focuses on quality and

diversification. Sato explains: "in the past all coffee in Brazil was seen to be equal and of a lower standard. Now we're saying 'coffee is different and each consumer has his or berown palate so buy accordingly."

The television ads currently

showing during prime time show a group of different people, all wearing the same mask, under the slogan: "Purlty you must demand. Quality you should choose."

The aim is to make consumers aware that coffee comes in different flavours and aroma resulting from different types of beans and degrees of roasting. Rino is also distributing free recipe cards and running adverts in women's magazines to show the different potential uses of coffee - in cakes, ice cream and Irisb coffee, for example. Ferrari says: "We're alming at everyone over 25 from all social classes but the real ambition is to get the habitual consumer to drink more, be more selective in the purchase and more adventurous in the use."

To encourage publicity an annual prize has been set up for reporting on coffee and Ablc has started its own newspaper. An accord has been signed with Campinas University to monitor consumer reaction.

The next step is a \$2m promotion of coffee as a stimulant, aimed at young people whom Abic has found begin drinking coffee only after starting work. "Coffee is seen as Brazil's national drink throughout the world," says Ferrari. "We have



QUE UMA MARCA DE CAFÉ



several flavours resulting from different types of beans and degrees of roasting

Soft approach keeps toilet paper ads rolling

Gary Mead looks at Andrex's plans to take its puppy campaign to the Continent

of a couple whose on-off relationship is conducted over coffee beans,

in only fifth place.

The fast-food chain McDonald's spent almost three times that sum on its television advertising in 1992, but languished 19 places beblud Andrex in Marketing's prompted recall chart.

the league table of UK brands sold through grocers. On an advertising spend of £13m, according to Nielsen Andrex's np-market strategy was research data, Andrex sold £198m evident from its first campaign, in 1992, moving ahead of Nestlé's coffee brand, Nescafé (£177.8m). with press advertising which subtly probed the consumer psyche: "You buy powder and good soap, of Only Unilever's soap powder, Persil (£237.2m), Coca-Cola (£237m) and course, but are they everything? What do you use in your toilet? Is Procter & Gamble's soap powder, Ariel (£224.4m), did better. it as safe and as pure as it should be? Are you paying enough for it?" Customers probably were; at the

On other score sheets Andrex's showing is even more impressive: according to the trade magazine time of its launch Andrex was sold Marketing, its £5.7m television only in Harrods. In the meantime Andrex, now owned by Scott Paper, has become a classic example of a advertising campaign achieved a higher prompted recall than any brand which has successfully manother hrand, leaving the much-hyped Nescafé Gold Blend advertisaged to charge substantially more ing, featuring the drawn-out saga - a price premium of up to 40 per

and yet dominate on what should be a thoroughly commoditised and price-only battlefield.

Andrex currently has about 34 per cent (by value) of the UK toilet tissue market, the next major brand being Kleenex, owned by Kimberly-Clark, with 12.6 per cent (ranked 26 in Nielsen's top 100 brands). The questions now are

cent above the market average - Europe's biggest toilet tissue mill, in France, aiming at taking the European toilet tissue market by storm this decade.

It took a step in that direction one year ago, by introducing common European packaging for the entire Kleenex toilet tissue range. In the UK, though, Andrex faces its major marketing battle not

Andrex, a premium product, plenty of scope for eating into the own-label threat.

Andrex is a UK-only brand so far; Scott markets toilet tissne under other brand names, Scottex and Cotonell, in the rest of Europe. But Scott Intends following up the astonishing popularity of its UK television advertising campaign -

Andrex's up-market strategy was evident from its first campaign: What do you use in your toilet? Are you paying enough for it?"

how far it can sustain its position in the UK - especially given the rise of own-label hrands right across the spectrum of consumer products - and how far Scott can penetrate the continental European market. Kleenex, for one, is investing \$200m in what is claimed to be

bel products, with a 39.7 per cent market share, again by value. In volume terms own-label products have a 41.2 per cent share, against Andrex's 29.2 per cent and Kleenex's 11.6 per cent. Premium price

entangles itself in toilet tissue hy extending the same campaign into the rest of Europe. The puppy has been with Andrex

since 1972 and, like many successful advertising images, was a mattollet tissue accounts for 61.5 per ter of chance. Andrex's advertising cent of the UK market, giving agency, J Walter Thompson, had originally thought of using a little girl to muddle up a toilet roll; but the Independent Television Com-mission, the UK body which monitors television advertising, ruled against the Idea on the grounds that it might be seen as encouraging children to waste paper.
JWT has been Andrex's advertis-

ing agency since 1956, which Itself is something of an achievement given that client-agency relationships tend to be stormy affairs. The puppy was thus substituted, with the idea of demonstrating what Andrex claims as its key attributes softness, length and strength. At least one own-label premium toilet tissue in the UK - Tesco's -

has thought Andrex's original slogan - "soft, long and strong" -good enough to be worth adopting on its own product.

At the end of January this year JWT Europe got the go-ahead from Scott to set the puppy running

is now being used in Spain. Portu-gal, Belgium, Italy and Germany. Andrex's marketing manager, Paul Duncanson, is fond of the puppy: "1 cannot overestimate the contribution that little animal bas made." He has every reason to be proud;

across west Europe's TV screens. It

since the puppy first appeared. Andrex's volume sbare of the UK toilet tissue market bas risen from 5 per cent to its current dominance. But Scott faces a tricky problem

in its effort to repeat across Europe

its UK branding success with Andrex. In France, for example, the

biggest brand. Lotus, bas a volume share of less than 16 per cent and sells at a price premium of only 19 per ceut above the market average. In Germany - the largest European toilet tissne market accounting for about a quarter of EC volumes - the higgest brand is Bess, with a national volume share of only 11 per cent. But the own-label sector has 67 per cent of the market, and has recently witnessed a price war. Scott and JWT will be hoping that their old dog will be able to come up with a few new tricks to please potential continen-

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CFCs get the cold shoulder

Ttaiy's Candy white goods group this week noveiled what it says are the world's first mass-produced refrigerators which work without environment-damaging chlorofluoro-

carbons. The new fridges use HFC 134a. an alternative chemical which is now the froot-runner to replace CFCs in refrigerator applica-tions, Unlike CFCs, HFC 134a does not harm the earth's ozone layer. It is in commercial production by ICI and Du Pont.

The Candy range, which is heing introduced two years ahead of a European Community accord to phase ont CFCs hy 1995, may soon be followed by other leading manufacturers. A number of European companies are believed to be working on CFC-free fridges, some of which may be unveiled at next week's big Domotechnica consumer durables trade fair in Cologne.

Although the new range does not include CFC refrigerant, it is still only a half-way house as far as the use of chemicals for insulation is concerned. For their insulating material the Candy fridges use BCFC 141h gas, a hydrochlorofluorocarbon which Candy admits is "a transitory solution". Although the chemi-cal dissipates in the atmosphere 10 times faster than CFCs. researchers are still working on an environmentally harmless solution for insulation use.

Silvano Fumagalli, chairman of Candy's main operating company, said the gronp, like other hig white goods makers, was looking into the use of cyclopentane as an alternative. Experimental fridges using cyclopen tane are already believed to have been tested.

Bowever, the gas is dangerous to handle and foam produced from it is a less effective insulator than that from HCFC 141h. Fnmagalli said Candy was working closely with chemical companies in the search for suit-

able alternatives. The new Candy fridges already marked a step forward in eliminating CFCs without compromising operating standards, he said.

Haig Simonian

he single European market is only one month old, yet the community's flagship technology project has

already foundered.
The high-definition television strategy promised to bring cinema-quality pictures to Europe'a telavision screens, hy imposing a single standard, HD-Mac, on Europe's broadcasters. But that promise now eems increasingly hollow.

"The European Commission's approach has been most unfortunate," says Philip Carse, a consul-tant at National Economic Research Associates (Nera) in London. "it has backed a standard which is becoming more obsolete by the minute."

For the European taxpayer the hill for research and development into HDTV runs into hundreds of millions of pounds. But the cost to Europe's struggling electronics companies is more than monetary. They have now missed the oppor-

tunity to accrue manufacturing experience in the latest technologies, while Japanese manufacturers have grasped the opportunity with both hands. Japanese broadcasters, too, are garnering experience in programme making for HDTV.

But as manufacturers sift through the bones of Europe's high-profile venture, many experts are increas-ingly sceptical that consumers would have paid for a technology which brought only incremental improvement in the quality of the television picture.

My view was that it would always he a slow take-up," says John Forrest, chief executive of NTL, the privatised transmitter and engineering arm of what was the UK's Independent Broadcasting Authority. "The question was whether people would be prepared to pay to switch from pretty good quality television to HDTV. It was not the same jump as from hlack-and-white television to col-

Even the most ardent proponents of HDTV acknowledge that the full benefits of the improved picture cannot be achieved on the standard 21- or 23-inch television set. Initially viewers would probably need projection television - where the pic-ture is broadcast like an old-fashioned home movie on to a screen As technology developed, large flatscreen television sets would be used, but for these viewers would probably have to wait until the next century.

HDTV promises a better-quality picture because it crams more pic ture elements, or pixels, into each square inch of the screen. While conventional TV pictures have 120,000 pixels, HDTV has about 700,000

The fundamental dilemma was whether consumers would even notice the difference. To the exasAfter European HDTV's expensive crash, Della Bradshaw, Louise Kehoe and Michiyo Nakamoto ask what can be salvaged from the wreckage

Searching for a clearer picture of the future

peration of many televisioo engineers, viewers appear quite content to watch fuzzy pictures on tiny por table televisions with serials made out of wire coathangers. And most viewers are prepared to ignere, or at least tolerate, the deterioration in picture quality when watching a programme which has been recorded at home on s VCR.

Perhaps the biggest factor pointing to the demise of HD-Mac was that it was developed for satellite and cable transmission only. In the UK, for example, only 12 per cent of homes are connected to such services - most viewers receive their programmes through a network of terrestrial transmitters.

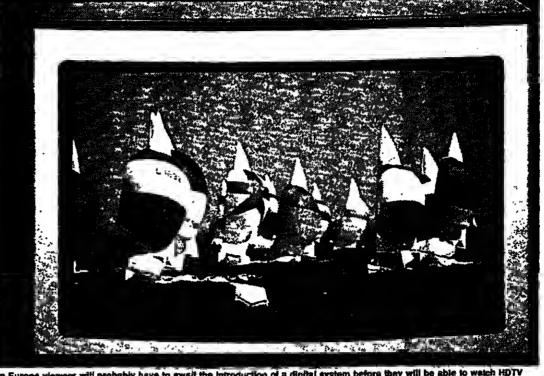
Carse, one of the authors of a recent Nera report on HDTV, compiled in conjunction with Brunel University, says that if the analogue HD-Mac system were implemented in Europe only about 5 per cent of viewers would take up the service.

In Japan, NHK, the national broadcaster, has also opted for analogue HDTV technology which therefore can only be broadcast on satellite and cahle. NHK has been broadcasting daily eight-hour doses of programmes in High Vision, the Japanese name for HDTV, which the public can view at more than 450 points in public areas, such as railway stations and public halls.

Although NHK and consumer electronics manufacturers have kept up the publicity in a concerted effort to maintain the momentum -November 11 has even been named national High Vision day since the Japanese system uses 1125 lines there is growing scepticism about Japan's chosen path.

High Vision has been introduced at a time when grim economic news has largely extinguished consumer interest in expensive, highly sophisticated luxury electronic goods. The cost of a HDTV set in Japan is at least Ylm (£5,300).

To compound the problem, public knowledge of digital television is increasing, and the improved picture-quality of High Vision seems to pall in the face of what digital tele-vision could offer - better information services, interaction with com-



In Europe viewers will probably have to swell the introduction of a digital system before they will be able to watch HDTV

nuters and above all, superior picture and sound quality.

For the hroadcaster, digital signalling brings other advantages. At least four times as many digital channels can be squeezed into a given amount of broadcast capacity as analogue ones. That means that one or two high-definition channels could be transmitted in the capacity used today for a conventional signal. Digital signals also use only one thousandth of the power of their analogue counterparts.

Everyone acknowledges that eventually everybody will go digital the only question is when. The US government has decided to skip the analogue phase altogether. The Federal Communications Commission has recently completed technical tests of five proposed HDTV systems and a panel of FCC testers is meeting in Washington this week to prepare a preliminary decision on which should become the US stan-

The Advisory Committee is scheduled to hring its recommendation to the full FCC at the end of this month and a final decision should then be reached by the summer. The FCC intends to double the oumber of broadcast stations in the US, with the new stations being dedicated to HDTV service," says Jerrold Heller, executive vice president of General Instrument's Video-Cipher Division, in San Diego, which has developed DigiCipher,

one of the five systems being tested. The advisory committee could select a single system hut seems increasingly likely to recommend a combination of two approaches.

If all goes according to schedule, then the first HDTV sets should be available to consumers by mid-1995 or early 1996, at a price of up to \$3,500 (£2,300). Prices are expected to come down quickly with volume manufacturing, but even at \$1,000 an HDTV set would be between two to four times as expensive as a television set in the US today.

in Europe It looks increasingly as if viewers will have to wait until the introduction of a digital system before they will he able to view HDTV. Roh van Oostenbrugge, **European** television development manager at Philips, the company which precipitated the European crisis by announcing it would not be manufacturing HDTV sets this year as previously planned, believes it will be at least 2000 before a digital standard can be adopted in Burope. Others believe digital hroadcasts could be introduced via

satellite more rapidly. In the meantime, the demise of

the European version of HDTV means European television viewers will continue to face a plethora of standards - Pal. Secam. Pai Plus,

"It will only become worse not "It will only become worse not hetter," complains van Oosten-hrugge. This proliferation of standards will fragment the market place further and drive up costs to the consumer, he argues.

For European broadcasters and

electronics manufacturers, digging among the ashes of HD-Mac, the news is not all gloomy. Numerous developments can be retrieved and

Although the picture transmis-sion part of the HD-Mac specifica-tion is analogue, much of the studio technology and that used in the televisioo sets themselves is digital, and could be developed for use with a digital high-definition system.

What the consumer will see more quickly is the proliferation of widescreen television sets, an interim step on the way to HDTV. Widescrean sets bave screens with n height to width ratio of 16:9 compared with 4:3 for conventional hoxshaped sets. The wide-screen format also hrings slightly better picture

European broadcasters are already beginning to hroadcast some programmes - notably films - in the wide-screen format and manufacturers are selling the new sets in Scandinavia, France and

The options for European broadcasters when selecting the digital HDTV standard will be numerous. A Scandinavian group which includes the Swedish Broadcasting Corporation and the Swedish Television Company, for example, has developed a prototype system for digital terrestrial HDTV called HD-Divine (digital video narrow-hand

And in the UK. NTL has developed a system for the Independent Television Commission which squeezes digital signals between the existing analogue signals. The spaces are "no go" areas for further analogue signals as these would interfere with those already there.

A third option would be to adopt the same system as the US. The likelihood of this increases if Japanese manufacturers and broadcasters also decide to follow the US in digital broadcasting.

While European manufacturers and broadcasters puzzle over the next move, their Japanese counterparts are forging ahead, gaining invaluable experience on how to best exploit HDTV in programme making and equipment manufacturing. By waiting for a digital standard, manufacturers in the US are in pole position to determine a world standard for digital high-definition broadcasts.

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PEOPLE

Beecham's Boyle moves to BUPA | Queens Moat Houses, the UK-based hotel group with 3

David Boyle, a 28-year veteran of Beecham, is moving to take charge of the international division of BUPA. He becomes one of three managing direc-tors on the board of Britain's largest private healthcare group, all reporting to chief executive Peter Jacobs.

BUPA covers around 854,000 people on the international side, with a turnover in 1991 of £178m. The organisation, which has seen falling income as premiums and costs have shot up in Britain, says that premium increases on the international side, at an average of 15 per cent, have kept pace with the costs of health care and that the number of people covered by the division rose slightly in 1992 compared with the previous year.

His most recent assignment

Chartered Institute of Manage-

ment Accountants, and was

once finance officer to the Sul-

tan of Brunel's armed forces.

Christopher Heard, md of

Mortgage Trust, has been appointed chairman of the

ASSOCIATION OF MORT-

GAGE LENDERS.



at SmithKline Beecham was a



four-year stint as chairman of consumer hrands, European division, a position two levels down from the main board of the Anglo-American company. Previously, he had travelled widely in various capacitles and had lived in Kuala Lumpur in the mid 1970s as the regional

Analyst-go-round The move of John Aitken. the City's top-rated banking analyst, from NatWest Securities to UBS Phillips & Drew should mean that the merry-go-round in City banking analysts has probably

It started a year ago when Nick Collier, Hoare Govett's banking analyst, moved to Morgan Stanley. His move left Hoare vulnerable since it was broker to Lloyds Bank. It then recruited Peter Toeman and Steven Thorn, the City's number two banking team, from UBS Phillips & Drew.

come to a stop for the

Edward Lowndes, 49, has been appointed as the first full-time general secretary of the Society of Practitioners of Insolvency. SPL a professional body founded two years sgo for the UK's more than 2,000 insol-Shortly afterwards, David veocy practitioners, has been increasingly active as the subject has come under the spot-

sionals, but has issued a series of ethical guidelines and prac-tice notes, lobbled the government and is developing a net-The extrovert 64-year-old for-Lowndes was formerly the director of resources for the paymaster in chief of the army. and recently left on completion of his contract, with the rank of colooel. He is a fellow of the

> He is to take up an as-yet unidentified "senior position" in the textiles industry.



products, Far East. Why is he coming to BUPA?

"The main reason," says Boyle, 50, "is that after 28 years it is stimulating and refreshing to make a move." He adds that there are many similarities between the two jobs: "On the insurance side, after all, BUPA is simply providing a consumer product.

BUPA has a significant toe-

hold in the Spanish market via its subsidiary Sanitas, as well as activities in Hong Kong. Malta and Cyprus. Boyle says part of his brief will be to extend the regional coverage, hut will not be drawn further. Boyle replaces David Shaw.

who had beaded international for two and a half years, and who is retiring after 23 years with BUPA.

Pontney, the other member of the UBS team, left along with Terry Smith, who was head of research and a well-known bank-watcher. They have joined Collins Stewart, a small firm of brokers. Aitken's move to UBS

Phillips & Drew - he used to work for P&D some years ago – plugs an obvious gap in its research team. Meanwhile, Aitken's deputy, Mark Eady, will continue to research the banks for NatWest Securities.

Adam Murza, a former editor of the Estates Times and veteran City property analyst, has quit stockbroking and joined Guardacre Group, an unquoted property investment

large European presence and appointed two of its continental executives to the main

The two new directors are Peter Bertholdt, 47, who is responsible for the group's operationa in Germany, Austria and Switzerland and Leonardus van der Meer, 49, who heads the husiness in the

Netherlands and Belgium. Queens Moat has more hotel rooms outside the UK than in. John Bairstow, the chairman, said last year that the Continent would become even more important to the group. He said that "the UK will progressively become one of our major areas of operation, rather than the mainstay of our husiness"; the two new board members had played a central role in establishing Queens Moat on

the Continent. # Ian Fraser, md of Reliance Security Services, is also appointed md of RELIANCE SECURITY GROUP; he replaces Peter Paice who is leaving to pursue other inter-

Sean Lance and Neil Maidment have been appointed mds at GLAXO HOLDINGS and on

to the main board. Graham McVey, formerly a director of Reed International and chairman and chief executive of the Reed Business Publiahing Group, has been appointed chief executive of FINDLAY PUBLICATIONS. Mike Rodwell has been promoted to become md of SCHIN-DLER Ltd, the UK subsidiary of the Swiss group.

London and becoming an

sion in the UK motor industry.

he will be leaving with at least

one feather in his cap: during

his 16 months in office he is

widely credited with having

played possibly the lead role in

persuading the government to

annual affair from 1996. Otherwise, despite the reces-

Sir Hal leaves the driving seat

Ex-Tory MP Sir Hal Miller is to leave his joh as chief executive of the Society of Motor Manufacturers when his contract expires at the end of March.

mer member for Bromsgrove and Redditch, brought in by the SMMT to give a higher profile to the manufacturers' body as its first full-time chief executive, has held the post only since November 1991.

His departure, announced yesterday, came as a surprise to many in the industry, who had expected him to renew his contract for a further year. Sir

Hal was believed to have



wanted to oversee preparations for the 1994 motor show, which is potentially the last to be held at Birmingham.

A review of the show's frequency and location could see It moving to Earls Court in



abandon the 10 per cent Spe-cial Car Tax which had been the industry's bete noir for two decades. There are, as yet, no declared

favourites to succeed hlm, though one candidate must be fellow former MP Roger King, whom Sir Hal drafted in as the SMMT'a head of external affairs shortly after his own

Pop concert

What drives Bob Dylan on to tour and tour again remains a profound mystery. The never-ending circuits of the world must fulfil some deep psychological need that a more sedentary form of existence could not. For Dylan to stay in seclusion, dispensing the occasional album with the seignourial flourish befitting a rock legend of his luminosity obviously would not suit him. Yet there is no evidence that he takes any obvious delight in the contact with his fans; for two hours he gives and the audience takes, while not a word is spoken and smiles are strictly rationed.

It is an uncomfortable prospect; there are too many esome reports from around the world of an apparently bored Dylan going through the motions oblivious of surroundings while his band does its best to second-guess the next move, to approach any appearance with positive expectations. Tuesday's concert was the third in Dylan's week-long London run. By his standards it was a relaxed and involved affair; at times he seemed almost perky. It was also, in its way, totally spell-binding.

There were plenty of ragged edges (does this man ever rehearse a song from beginning to end, one wonders?), a sprinkling of miscalculations (usually involving the harmonica), hnt never a hint that he was anything but fully engaged His current four-piece band has a country-rock feel, leavening its heavyweight guitars and drums with string bass, slide guitar and mandolin; that sound was laid down at the very start of the set, moving from "Maggie's Farm" through "Every Grain of Sand" and "Tangled Up in Blue" (the resilience of this song in particular tested almost to destruction) on to

a fierce, unforgiving "All Along the Watchtower" which gradually built in intensity and concentrated Dylan's efforts ever more. The same kind of momentum was generated at the end of the evening, hy which point it was possible to adjudge that Dylan was, really, enjoying himself.

Perhaps that is the point. It is the search for the fix that comes from the occasional great performance which keep him going, so thet each concert is an experiment, an attempt to find another means explain the constant worrying away at the lyrics and the melodic lines? In a treasurable acoustic set halfway through Dylan refurbished something of his most familiar sougs from the sixties. There was nothing arbitrary or wilful about it - the tender way in which "Mr Tambourine Man" was recast, shorn of its yearning vocal line and delivered as an introverted chant complete with haunted harmonica coda, or "Don't Think Twice" had its melody completely recast seemed anything hnt arhitrary. For the fans hearing those songs now may be a precious exercise in nostalgia: for

Andrew Clements

At the Hammersmith Apollo until Saturday

Dylan still, extraordinarily,

they carry the potential for

renewal and refinement.

Cinema/Nigel Andrews

Woody the wizard

oody Allen's deli-clously strange Shadows And Fog is about the Known and the Unknowable. Part tragedy, part comedy, part human puppet-show, part charabanc tour through the dark night of the soul; it is a fantasy prelude in film noir tones to the later Husbands And

In America many hated it: mainly because there are so many plots hubbling at once that it is like being in e mad wizard's kitchen. We have Allen himself as Mr Kleinman, the humbling coward roped into a posse hunting a mass killer in a European town. We have circus sword-swallower Mia Farrow, flouncing out on hushand John Malkovich after he has slept with trepaze artist Madonna. We have the star-packed brothel (Kathy Bates, Lily Tomlin, Jodie Foster) where Farrow spends a fugitive night. We have Farrow-smitten student John Cusack; mad doctor Donald Pleasence; neighbour

Kate Nelligan . . . Whoah. Enough, you cry. How many films are being reviewed here under one title? But the multi-story skittishness of Shadows And Fog is its charm. If Husbands And Wives gave us the first great film from a new, free associating Woody - conventional style and structure splintering under the power of impro-vised emotion - Shadows And Fog is like a gentler dressage for that

drama of deconstruction. Across the dinky squares, through the picture-book fog and darkness, lope the funny-myaterious Lillipu-tians. In style the film is a toy-theatre spoof on German Expressionism. doing for Lang and Murnau what Love And Death did for Dostoevsky and Tolstoy. But Shadows And Fog is also about good and evil, destiny and predestination. Herr Kleinman
- Allen with apecs and nervous soliloquies - knows he has heen "chosen" hut cannot figure out what for. Farrow's runaway circus girl leaps into her fated midnight and finds a fated self-fulfilment. (She links up with Allen in what may be their last and most touching boymeets-girl vignette.) And Doc Pleasence, pondering a morgueful of corpses, gazes straight and steelyeyed into the heart of life, death and

the beyond. Though Carlo Di Palma's black-and-white photography mimics a gloom-laden cine-Europe of 60 years ago, the film is also free-spirited enough to throw in some prime Woody repartee. (Farrow: "I slept

> SHADOWS AND FOG (15) Woody Allen

OLIVIER OLIVIER (15) Agnieszka Holland

THE LIVING END (18) Gregg Araki

STAY TUNED (PG) Peter Hyams

with one man for money. Does that make me a whore?" Allen: "Only by the dictionary definition.") And a classically deft scena of romantic misunderstanding between Cusack and Malkovich shows that the director does not save all the good langhs for himself.

Bnt Shadows And Fog is hest when comedy halances on a knife-edge of the macabre; when the inquisitive despair that Allen over-formalised in his Chekhov-Bergman pieces (Interiors, September) is given tha true texture of filmic malaise human fear and defiance glittering in the shadows of the unknowable.

When a film comes to a sudden narrative pause and flashes up the title "Paris, six years later," we fear the worst. Either the characters who were children will have grown up to become unrecognisable adults. Dr those who were grown-ups will be the same actors with a wisp of grey hair and a look of telegraphic disen-

But Agnieszka Holland's powerfully imaginative Olivier Olivier akips over every lurking trap. In part one nine-year-old Olivier disappears from his rural home - never seen again after leaving to take food to Granny (yes, shades of Red Riding Hood) - and parents Francois Cluzet and Brigitte Rouan are split apart hy sobs and recriminations. In part two 15-year-old Olivier Is tracked down hy Paris cop Jean-Francois Stevenin and restored to his ecstatic parents and startled sis-

But is it Olivier? The questionable resemblance of new actor to old has the audience clucking scornful scepticism: only to be out-clucked by the movie itself as it sows doubts in the midst of delight and then delivers a knock-out denouement. Taken from a newspaper item, the

story grows its own reality like a cutting newly planted in rich soil. One-time co-screenwriter with Waida Man Of Iron, Danton), Agnieszka Holland has learned the art of morecomes-from-less. The film never stops to "explain" its characters. The stormy father, the besotted mother; the enigmatic sister with her sacrificial rites and mystic powers (from self-inflicted cigarette hurns to telekinesis); the teenage Dlivier's moody inconsistency of recall. The characters are "givens" who create their own human weather system, as alien and yet as recognisable as the sirocco. And domestic trivia, from a squalling cat to the musical beds of sleepless children climbing in with sighing adults, become the meteorology of changing emotion.

Gregg Araki's The Living End is an AIDS-era road movie and as dotty as that sounds. Two HIV-positive Californians, bookish Jon and hellraising Luke, throw themselves into each other's arms and then onto the open road in this film that resembles



Mia Farrow: a runaway circus sword awallower in Woody Allen's 'Shadows and Fog'

cross between a gay Badlands and a Wild At Heart for sexual militants. Casual murders; lots of outlaw lyricism; and e sensa of two people narcissistically narrating their own lives as they glide attitudinisingly towards death.

Jon (Craig Gilmore) is a film critic writing a thesis on the "Death of Cinema". (No comment.) Luke is a drama queen with hronzed pectorals who wants to blow his hrains out during a final dazzling orgasm. When not giving screen time to these tinpot tragic heroes, dehut director Araki hranches out into caricatured women. These range from two loudmouthed leshians scripted for penis envy dialogue to a Bette Davis lcokalike with pillbox hat and kitchen knife. This lest floats into an early love scene between Luke and a pick-up, delivers the line "This isn't the Seventies any more, you know" and stahs the

cares. Mark this down as the first, worst film of a director who may improve when he empties his system of gay special pleading and camp

Stay Tuned is, if possible, worse. Married couple John Ritter and Pam Dawber, Faustians of the hi-fi age, have adventures in a nightmare TV-land run by Satan figure Jeffrey Jones. Sucked into this "other world" via a giant satellite dish, they become actors in spoof shows like The Golden Ghouls, Meet The Mansons and Northern Overexposure.

The cod titles are the funniest thing. Elsewhere this is fast, frenetic, fun-free tripe: scripted by ex-advertising duo Tom Parker and Jim Jenewein and directed by Peter

To conjure the true spirit of comedy this week requires necromancy. The late Buster Keaton, greatest of silent comics, pick-up to death.

Reality? Fantasy? Comedy?
Horror? Who knows. Who, alas,
Junior is joined by two classic shorts. The Love Nest and The Ployhouse, in a programmie no connoisseur of mute muth should miss, (But be warned: the odd sound effect has been added to Sherlock).

The opposite of a comedian who never speaks is a film-maker whose characters never shut up. A sad farewell to Joseph L. Mankiewicz. who died last Friday. He spent his life wiring great film stars for sound. plugging them in and then standing back to watch the mixture of noise. sparks and explosions. He twinned Brando and Gielgud in Julius Caesar. He set Olivier and Caine at each other's larynxes in Sleuth. And in All About Eve, starring Bette Davis and a famous line about humpy nights, be made the most glorious impostor among movies. It pretends to be a film; it is really a stage play with a camera hreathing down its neck. But who objects? No movie ever matched its glittering. sideswiping dialogue or its showman's wisdom about show

Schubert on the South Bank

The South Bank Schnhert ever, are at least a few minor series, now well underway, is a masterpieces. It is difficult to series, now well underway, is a lop-sided one, with all the interesting events happening at the Queen Blizabeth Hall. This is where we are hearing the chamber music written for intimate evenings among the composer's circle of friends, although it cannot have been the intention of the organisers that their audiences should be the same kind of size.

This part of the series lasts until March. There are string quartets, piano sonatas and duets, some songs. Best of all, on Tuesday, was the only truly novel item - a selection of Schuhert's partsongs, which proved so entertaining that some in the audience may have gone away to look out more. There are plenty of them, too: three full pages listed in Grove. no less. Can they all be so maginatively varied?

Many of these pieces were written for specific occasions, which will explain why Schubert tried his hand at some unusual combinations of voices and instruments. Dne father, wanting to celebrate the convalescence of his dance-mad daughter, commissioned the lively "Der Tanz". Several of the more ambitious songs, including "Nachtgesang im Walde", a Lied that has outgrown its origins, have e quartet of horns in support. In among these trifles, how-

resist Schubert's setting of the 23rd Psalm ("The Lord is my Shepherd') and especially when its wide eyed innocence is as beautifully caught as it was here hy the ladies of the BBC Singers accompanied by Imogen Cooper. Then again, the "Gesang der Geister über with a quintet of lower strings, looks far ahead of its time to becoming a "serious song" in the Brahms manner, meliow,

pensive, richly textured. In every item the BBC Singers were on expert form, holding in check the individual voices which wohhled away during the recent Janacek weekend Sian Edwards conducted, a relaxing duty, one imagines, before END responsihilities claim her attention. The partsongs were preceded hy the Chilingirian String Quartet in the A Minor Quartet, undemonstrative and affectionate Schuhert playing, which captured the Landler spirit nicely. Unfortunately the Borodins' recording was fresh in my mind and this was not

Richard Fairman

Schnbert series continues at the Queen Rlizabeth Hall until 2 March (Box Office 071-928

The story goes that in previous centuries actors playing Richard III would shift their deformity from left to right from night to night. This reduced the risk of back problems such as have afflicted Simon Russell Beale who had to withdrawfrom the RSC's production at the Donmar Warehouse hecause of a slipped disk.

Beale will return to the part at Stratford next month. Meanwhile Richard has been taken over hy Ciaran Hinds, an actor in an altogether different mould. Beale is small and agile, almost donble-jointed. Hinds is physically large and, in this part at least, deliberately clumsy.

recently seen Hinds playing Samuel Byck in Stephen Sondheim's Assassins, and Richard III is an appropriate play to follow, for what is it about hut a series of assassinations? Richard like Assassins is directed by Sam Mendes and some of the techniques are becoming familiar: for instance, the use of the

At the Wigmore Hall on Monday, the baritone Wolfgang Holzmair sang two dozen Romantic songs, accompanied hy Melvyn Tan at a fortepiano. Their umhrella-title was "Zwielicht" (twilight), but that placed no serious limits on the range of the programme: any song seemed to qualify so long as it mantioned the moon, the stars or hoth. That left room for nocturnal delights and horrors, storms and dewy calm, knights, hunters and lovers; and the whole recital gave unqualified pleasure. In a certain style of *Lieder* singing, Holzmair is a very model. The voice has a marked personal character, and he wields it with communicative flair. He indulges no great variety of vocal colour (and his tone is thin in the

lowest register), though he likes to float

soft, high-lying phrases on a cultivated

Theatre/Malcolm Rutherford

Richard III

separate cubicles at the back of the

The production was seen at the Other Place in Stratford last summer. It is not the best that Mendes has done. The costumes, located loosely somewhere early in the 20th century, are dull. There is not enough to differentiate the characters. Too much of the play comes across as a pageant wilhout spontaneity. Possibly one is over-influenced by Northern Broadsides producti seen at the Riverside Studios in December, and has come to expect Richard III to be fun. Mendes's production is a little too like a run-up to Macbeth without the poetry and without the depth. He treats it too much as history and not enough as melodrama.

Nevertheless, there are some excel-

lent scenes and one sub-theme in partic-ular is played for all it is worth. This is the relationship between Richard and Buckingham which becomes central to the plot. Stephen Boxer's Buckingham is not just another toad or accessory to the crimes. He is the man who, like Lady Macbeth with her husband, urges Richard on Later, again like Lady Mac-beth, he quails and Richard knows when to drop him. In the early stages of the best part in the play: Boxer is outstanding.

Then there is the set-piece towards the end when the ghosts of his victims come to visit Richard in his dream on the eve of battle. Mendes directs this as if it takes place in a subdued tavern in Cheapside. Richard sits slumped over

his wine at one end of the table. At the other end is Richmond, the future Henry VII. The ghosts come in together and drink round the table to Richmond's victory. There is Mendes at his best. He is less happy in handling the women in general who, most of the time, simply record and prophecy doom. He does not catch their fickleness in the way they can succumh lo Richard.

On the small Donmar stage, Hinds suffers for his size. His hump looks like a pillow, even a kithag, strapped across his shoulders. He has sleeked hack hair and an off-putting long brown coat. Yet when he plays Richard as the religious devotee, pretending to he reluctant to accept the crown, he seems a much ore versatile actor. Still playing the role as a hulking straight murderer is a perfectly legitimate interpretation. I enjoyed it.

Donmar Warehouse (071) 867 1150. The production runs until February 20. then moves to Tokyo and Rotterdam, before going home to Stratford

Recital/David Murray

Holzmair & Tan

head-voice. Nor does he underline or italicise key words, unlike some senior platform stars; and yet verbal sense is always foremost - every part of every song has something to say, whether rehement or sweetly reasonable.

For this kind of delivery, Tan's fortepiano Iquite a large one) made the perfect backing. Not only because its light, brittle tone was guaranteed never to cover the voice, nor hecause it resembled the instruments sohn, Schubert and Schumann knew far better than any modern grand; hnt also beceuse Tan allows

in impeccable period style, which is virtually unheard of among modern accompanists.

Rhythms can be delicately bent (his treatment of the repeated chords on Schumann's "Mondnacht" was marvellous), inner voices enhanced hy spontaneous rubato. None of that was a distraction from the singing, since the fortepiano's scale of sound is so unthreatening; but it lent life and pretty surprises to all the music, complementing Holzmair's direct, seemingly artless manner - which hy

itself might have begun to seem a hit

Tan's exuberani mannerisms, in the purely visual sense, were another matter Ihad I heen Holzmair, whose own bearing is modest and decorous, I should have been tempted to swat him); hut if that kind of carrying on is what he needs to achieve such fresh results. one must not complain. Predictably, Mendelssohn's piano-parts sounded delectable on the instrument. Much less predictably, its limited capacity for sustaining sound - for Schumann, the usual pedalled richness o la Steinway was simply unaveilable - inspired Tan to find all kinds of compensation in phrasing and highlights. He and Holzmair made a curious partnership, but a most successful and satisfying

INTERNATIONAL

■ ATHENS

Concert Hall Tonight: Melos Quariet plays works by Haydn and Mozart. Tomorrow: Athens State

Orchostra opens Scandanavian music cycla with a programma of works by Lars-Erik Larsson. Sibelius and Nielsen. Sat and Sun: Claudio Scimone conducis I Solisti Veneti in worka by Vivaidl and Bach. Mon: Ralph Towner jazz Improvisations. Tues: Dmilri Galani. Next Wed and Thurs: Leonidas Kavakos plays solo violin music by Bach (722 5511)

■ CLEVELAND

Severance Half Tonight. tomorrow, Sal. Franz Weisar-Most conducts Clavaland Orchestra in works by Schuhart, Bruch and Martinu, with violin soloisi Kyung Wha Chung, Naxt week Oliver Knussen conducts music by Knussen and Ethott Carter, Fab 25-March 6: Pierre

Boulez (231 1111)

■ BOLOGNA

Teatro Communate Mon: Tatiana Grindenko directs Moscow Acadamy of Music in works by Talamann, Bibar and Vivaldi. Tues (in Palazzo dai Congressi): Marcel Marceau. Feh 20: tirst night of Elliah Moshinsky's production of Simon Boccanegra (529999)

■ COPENHAGEN Royal Theatre Tonight tirst night of new production of three Balanchine choreographies (alao Sat, next Wed and Fri). Tomorrow: Lohangrin, Sun aftarnoon: La nozze di Figaro Tuea: Arladne auf Naxos (3314 1002)

■ GENOA

Teatro Carlo Felice Tonight, Sat and Sun afternoon: Fabio Lulai conducts Lamberto Puggaill's production of Rigolatto with Paolo Gavanalli and Juan Carlos Morales alternating in titla roia. Naxt production: Roberto Daveraux, opening Fah 28 (589329)

■ THE HAGUE

Danstheater Tonight, tomorrow, Sat: Nederlands Dans Thaater mixed hill, including new work by Peolo Ribalro. Mon: Opera Forum production of Verdi'a Stiffalio. Fab 25, 26, 27: Jiri Kylian's Kaguyahima (360 4930) Dr Anton Philipszaal Tonight

Schoenberg Ensemble and Chamber Chorua In works by Janacek (360 9810)

8800)

■ LONDON

THEATRE Tha Invlaibla Man: the famous H G Walle science fiction atory comes to the ataga in this production by Thaatre Royal, Stratford East, complate with breathtaking magical lilusions Now in previewa, Press night naxt Tues (Vaudevilla 071-836 99871

 Murder Is Easy: Nigel Davanport stars in Clive Exton'a play based on the noval by Agatha Christia. Previaws atart naxt Wed, Prass night Feb 23 (Duka of York's 071-836 5122) No Man'e Land: Harold Pinter and Paul Eddington In Pintar'a 1975 play, directed by David Leveaux (Comedy 071-867 1045) Hamlet Kenneth Branagh triumphant in this uncut RSC

varsion directed by Adrian Nobia. Ends March 11 (Barbican 071-638 Tha Last Yankee: Arthur Millar's naw play about two couples meeting in a psychiatric hospital, with Peter Davison and Zoa Wanamaker (Young Vic

071-928 6363) Cyrano de Bergerac: Robert Lindsay is tha hig-nosed soldlar-poet in this adaptation by John Walla, directed by Elijah Moshinaky (Haymarket 071-930

 For ticket information about West End ahows, phone Thaatralina from anywhere In UK: Plays 0836 430959 Musicals 0836 430960 Comadies 0836 430961 Thrillars 0836 430962

DANCE/OPERA Covent Garden Tonight's Royal Ballet performance includes that world premiere of David Bintley's Tombeaux, alongaida Fokina's Firebird and Forsytha's in Tha Middla (rapeatad next Wed). Sat: Sleeping Beauty. Thomas Hampson, Gabrial Bacquier and Jennifer Larmore head tha cast in the Royal Opera's revival of Il barbiere di Siviglia tomorrow, next Tues and Fri. Edward Downas conducts Stiffelio next Mon and Thurs, with Giorglo Lamharti In titla rola, Fab 20: revival of Turandot with Gwyneth Jones (071-240 1066) Coliseum ENO repertory consists of Carmen with Sally Burgess (tonight, Sat, naxt Wad and Sat) and Jonathan Miller's production of Rigolatto (tomorrow, next Tues and Thurs). Fah 19: naw production of Don Pasquala (071-836 3161) Sadier'a Wells Final

performances of Birmingham Royal Ballat season tonight, iomorrow and Sat, with David Bintley's 1986 story hallet Tha Snow Queen (071-278 8916) Royal Albart Hall Final partormances of Bolshoy Ballai aaason tonight, tomorrow, Sat and Sun (071-589 8212) CONCERTS

South Bank Centre Tonight Klaus Tennstedt conducts Haydn's Craation, with Falicity Lott. Tomorrow, Alexandar Lazarev conducts BBCSO and Chorus. in works by Dutillaux, Ravel and Debuaay. Tomorrow in QE Hall: Montevardi programma with

Cetharine Bott and Naw London Consort, Sat: Royal Choral Sociaty parformance of Carmina Burana. Sun afternoon in QE Hall: Emanuel Ax plano recitel. Mon: Montserrat Caballè song recital. Tues and Wad: Zubin Mahta conducts LPO in works by Barlloz and Bartok, with piano soloiat Andras Schiff. Tues In OE Hall: Maxwell Davies conducts Maxwell Davies, Wed: London Mozart Playars (071-928 8800) Barbican Tonight: Kent Nagano conducts LSO in works by Beethovan and Bartok, with plano soloist Emanual Ax. Tomorrow: Vanya Milanova playa Bruch'a Violin Concarto. Sat Igor Oletrakii. Mon: London Choral Society presents works by Barnstein and Barber, Tues: Charlaa Mackarras conducts Handal, with soprano sololst Yvonne Kenny. Wed and Thurs: Ute Lemper alngs Waill, Feh 21: Labeque Sistera. Fah 25-March 21: Britten Fastival (071-638 8891)

■ PRAGUE

CONCERTS Tonight and tomorrow at Dvorak Hall, Libor Pesek conducts Czech Philharmonic Orchastra in works by Dehussy, Mahler and Barlioz, with mezzo soloist Linda Finnia. Naxt Thurs and Fri: Vaclav Naumann conducts Mahlar'a Second Symphony (286 0111). Sun at Smetana Hall: Linha Singers (232 2501) OPĚRA

National Theatre has Katya Kabanova tonight, Dalibor tomorrow, Don Carlo on Sat, Tha Secret on Sun afternoon and

Lucia di Lammermoor on Sun evening, with no further performances till Feb 20 (205364). Estates Thaatre haa La nozze dl Figaro on Feb 19 end 25 (228658). Prague State Opera haa Les Contes d'Hoffmann tomorrow and Tues, Rlanzi on Sat, Tosca on Sun and II trovatore on Wed. A new production of Un ballo in maschera opens on Fab 21 (265353)

■STOCKHOLM

Royal Opera Tonight, Mon and Wed: Cav and Pag. Tomorrow: Araballa. Sat: first night of naw ballat production with choreographies by Kyllan, Bejart and Alvin Alley, rapeated next Tues, Thura and Fri (248240) Berwaldhallen Tomorrow: Niklas Willen conducts Swadish Radio Symphony Orchastra in works by Webarn, Aulin and Baathoven. with violin soloisi Ola Rudner (784 1800)

■ UTRECHT

Vredenburg Sat: Gunther Schuller and Natherlanda Radio Symphony Orchastra (Copland, Ives, Schuller and Garahwin). Sun: Marc Minkowski conducts Amsterdam Bach Sololats. Sun avaning: Hartmut Haanchen and Netharlanda Philharmonic Orchestra. Mon and Tuaa: Boh Dylan, Next Wed: Garry Rafferty. Naxt Thura: Edo da Waart conducts Mahlar. Fah 20: Roval Concartgabouw Orchestra, Fab 21: Svetlanov conducts Hague Philharmonic (314544)

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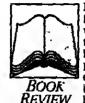
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Monopoly seeks platonic relationship



find individuals who can he trusted to regulate important parts of the economy? Such individuals REVIEW have discre-

tionary powers over many hasic goods and services, so only the select and most enlightened can do the joh.
This question - which delib-

erately echos Plato's description of the qualities required for a perfect ruler - is raised hy Sir Christopher Foster in his book on economic regulation. Like Plato, he is torn between acknowledging that regulation is sometimes necessary, and realising that power has a tendency to corrupt. Unlike Plato, his field of interest is not society as a whole, but those parts of the economy that gravitate towards monopoly if left to their own devices. Sir Christopher, who has been an economics professor, civil servant and husinessman and is currently advising the UK government on the privatisation of British Rail, rejects the idea that governments can pursue a policy of henign neglect once they have priva-"natural monopoly" industries such as telecommunications, gas, railways, airports and electricity. But he is exercised by the fact that any regulatory system is vulnerahle to being subverted.

Such subversion - known in the jargon as regulatory capture - can occur if the regulator is turned into a tool of either the industry concerned or politicians. The book is an extended treatise on how regulatory systems have been consistently captured, and how the only antidote is a strong system of regulation independent from vested interests.

This prescription may seem as idealistic as many of Plato's. But Sir Christopher argues that, through a mixture of luck and foresight, the system introduced in Britain to accompany the privatisation of utilines is a good approximation to what is required. It is based on a series of independent regulatory hodies - Oftel, Ofgas, Ofwat, Offer - headed hy strong individuals with considerable discretionary powers.

PRIVATISATION. PUBLIC OWNERSHIP AND THE REGULATION OF NATURAL MONOPOLY By C D Foster Blackwell, £40, 438 pages

But the book is not an apologia for the British status quo. Sir Christopher is concerned that regulators are still vulnerable to pressure from both politicians and industry - a topical concern given Sir James McKinnon's decision this week to step down early as director-general of gas regulator Ofgas, and the recent drubbing politiclans have given Mr Stephen Littlechild director-general of electricity regulator Offer, for

failing to protect miners' jobs. The hook is also a timely contribution to the debate on how regulatory systems should be designed, as yet more countries privatise utilities and the UK embarks on its next privatisation wave with BR and maybe the Post Office. Though not an easy read and sometimes repetitive, it is rich in insights. Particularly appealing is its broad historical sweep. which traces the development of economic regulation in Britain and the US.

The chapter on Gladstone's attempt to regulate railways in the 1840s shows how the complex economic issues manifest today have been present from the start, it also reveals how the railway barons were able to mobilise immense lobhying power - at one point, 132 MPs were railway directors - to emasculate his hill.

Further chapters explain how this early failure to control railway monopolies led to such a public outcry, alheit after a time lag of nearly half a century, that excessive controls were imposed. These, in turn, nearly hankrupted the industry and paved the way for

nationalisation. The US experience with economic regulation, though less traumatic, does not provide a model because it is too legalistic, according to Sir Christopher. It is not simply that it is costly. The court-like procedures also enable a monopoly to use its greater resources and control of information to tie its regulator in knots.

formance really show. These failures lead Sir Chris-topher to defend the current British model and propose vari-

ous measures in shore up the regulators' independence. Some concern the vital hut neglected auhiect of information. Monopolies not only dominate their industries. They also control the detailed financial information about how their industries work, putting them in a privileged position compared with regulators, potential rivals and consumers. Though regulators can ask for

adept at playing games: drag-ging their heels, or flooding regulators with Irrelevant data. Sir Christopher advocates stronger powers for regulators to extract information and then publish it. This is partly to help potential rivals enter a monopolised industry and partly because he favours "sunshine" regulation exposing monopoly abuses to

some information, the book

argues that monopolies are

the giare of publicity. Sunshine regulation was pio-neered by Charles Francis Adams, a 19th century Boston patrician, who waged a successful campaign against rail way barons through pamphieteering and journalism. Mr Alfred Kahn, taking a similar approach, told his staff at the US Civil Aeronauties Board: "If you can't explain what you are doing to people in simple English, you are prohably doing something wrong.

The new breed of British regulator has developed its own version of sunshine regulation. Sir James McKinnon, in particular, has been a master of the strongly worded statement to the press - a practice Sir Christopher applauds, since It helps regulators huild up public support, which in turn should act as a hulwark against interference with their Much of Sir Christopher's

argument for independent regulators is persuasive. But it ultimately rests - as dld Plato's - on enlightened individuals filling the top posts. For, as Sir Christopher acknowledges, if had regula-ings were to be in charge, it might after all be better if they were shackled by a cage of law.

Hugo Dixon given in the hibliography. to 5 per cent. The gap with

he pessimism and self-hate about the UK economy has gone too far. Listening to British husinessmen deoigrating British husiness performance induces a desire to see what statistics of comparative per-

As I have often remarked, they show that the rapid growth of other European countries and Japan is mainly a catching-up phenomenon; and that in the 1980s relative UK performance started to improve. They suggest that it would be rash to interpret the prolonged recession as a sign of deep structural malaise.

Of course statistics can and often do lie. But it is so difficult to assess anything as diverse as a country's total husiness and industrial performance by personal impressions that the available numbers should be used as at least a supplement

The most intensive scrutiny of the available evidence so far comes from a study hy the distinguished economic historian, Professor Nick Crafts, in a paper for the Institute of Economic Affairs entitled Can De-Industrialisation Seriously Damage Your Wealth?. Because the paper neither echoes the gloomy talk about a collapsing industrial base, nor the once-more fashionable remedies of state aid for investment, it has been largely ignored. But it has far more to ell us than we can expect from the forthcoming report of the crystal-gazers assembled by the chancellor.

In fact, Crafts has a better chance of convincing those on the fence than most other commentators. His paper is a survey of almost all the available quantitative research, not only his own. He eschews ideology and indeed speculative argument. So far is he from being a Thatcherite that he appeared as a witness for Peter Jay in a television dehate agoinst the proposition that there had been an economic miracle in the 1980s. Nor has he previously been been an IEA writer. My only quarrel with Crafts

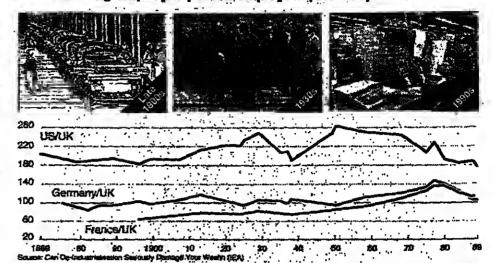
is his use of the awful Harvard system in which hracketed references such as (Joachim and Heifetz, 19851 clutter up the text. They will not convince anyone who does not already believe the author's thesis and are out of place in all but highly specialised original studies. They should he replaced by plain English statements of the trend of recent scholarship; references can be

ECONOMIC VIEWPOINT

Time for England to buck up

By Samuel Brittan

Manufacturing output per person employed (UK=100)



conclusion is that the gap in GDP per person employed between the UK and European competitors is much less than the gloom talk suggests. A table in Economic Vlewpoint on November 19 suggested that there is no gap compared with Japan either.

Admittedly, UK performance has lagged more in manufac-turing than in the rest of the economy. The hig gap here is still with the US. American manufacturing output per head was twice as high as Britain's in 1870, when Mr Gladstone was presiding over his first effective administration. The proportional gap was, at a maximum, around 1950 and has since been declining.

The manufacturing gap with Continental Europe has never been so large as with America. German man-

nfacturing output per hea d indeed nearly 50 per cent ahove UR's in 1977. But hy 1989 the differential had fallen

Japan (nnt shown in the chart) is similar

Crafts also nails the myth of "de-industrialisation". Num-bers employed in UK industry have fallen more than in mos other countries, hut mainly because the starting point was high. By the late 1980s, the UK had much the same proportion of the lahour force in industry as several other countries with a similar level of ple, France and the Netherlands, it is Germany and Japan that are the odd countries out with their high proportion

ployed in manufacturing. Most interesting of all is his refutation of the supposed "balance of payments constraint on growth". He notes, without becoming bogged down in

per person	employed	(UK = 100)*
DSJUK	Germany/UK	France/UK
95.1	48.8	53,0
127.9	64.1	61.7
154.0	64.3	72.7
187.5	90.2	88.6
151.6	104.7	110,2
128.9	105.6	116.4

Europhobic view that such adjustments would not be pos-sible in the exchange rate mechanism, mainly because he expects German inflation to be zero, which would indeed be good news to the Bundeshauk.

A falling real exchange rate is not a godsend, but perhaps a necessary evil. It is normally accompanied by a deterioration in the terms of trade - that is. UK citizens effectively receive less in imports for a given level of exports. Crafts suggests that the effect is to reduce British living standards by 0.4 per cent a year. This is not a trivial offset to an underlying growth rate of 2 or 3 per cent, but hardly justifies the prevailing

gloom and doom. Crafts devotes much attention to supposedly new theories which suggest that there are large returns to investments, which are not captured by the companies that make them, and that therefore gov ernment subsidy is justified. He accepts the theoretical possibility, but cites much experi ence showing that real world subsidies tend to retard rather than promote growth. An example is the advanced gascooled reactor programme which is said to have produced nothing of any commercial

value over 20 years. Moreover, John Smith please note, "German policies to sub-sidise high technology sectors like aircraft, nuclear energy and telecommunications have been no more successful than

British ones."
Nor are these failures accidents. Politicians' incentives to win votes encourage excessive subsidisation of producer interests and this cannot be effectively monitored or deterred by the mass of voters on whom the costs fall.

Crafts is very critical of some aspects of British business culture. The vulnerability to hostile takeover, unique in Europe, causes British companies to maintain dividends and forego investment opportunities in development and training. He also criticises the absence of long-term consensual relationships between UK workers and their companies.

But on balance he heliever? the reforms of the 1980s improved matters. The main future emphasis should not be on subsidy for manufacturing or high technology but the pursult of multilateral international agreements to reduce the extent of government support for industry and to promote freer trade. And if multilateral agreements are elusive. i would go for unilateral measures in this direction.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Housing policy a danger to standards

From Mr Charles A Wood. Sir, Your editorial ("Housing policy", February 5) makes absolute sense.

One of the great problems facing housing associations has been arbitrary change in government regulation. It is happening again: in effect part of the financial regime set up in 1989 is being dumped. In that regime honsing associa-tion grant has been calculated from a formula which included cost, interest rates and afforda-

hility to tenants.

What is happening now is that (presumably) the Treasury is ordering a cut in grant to 55 per cent in twn years, which will drive rents well beyond

Certain MPs, particularly Sir Paul Beresford, have suggested that private property develop-ers should be allowed to compete with housing associations for government grant. In my view this will lead to low construction standards and uncertain standards of housing man-

Surely the lesson of the 1960s policy errors is that the drive to lower costs is often misconcelved. Housing associations are not perfect; nor are they mad hureaucracies, it cannot be in the national interest to destroy diversity and local accountability. Charles A Wood,

New Islington and Hockney Housing Association. 122 Kingsland High Street, London E8 2PR

Classroom peace threatened by dogma and bureaucracy

validity of the "trade gap esti-

mates, or about how much of

the gap is the result of inward

investment, particularly hy

Crafts is prepared to accept

that although the share of Brit-

ish exports in world trade has

more or less stabilised, the UK

has an exceptionally high ten-

dency to devote increases in

the national income to imports.

This can be offset by allowing

the real exchange rate to

depraciate hy about 11/2 per

I should spell out that this

need not mean a depreciation

of the nominal exchange rate

newspapers - hy this amount. If inflation hy Britain's trading

partners is, say, 3 per cent a

year, then a lower UK inflation

per cent in traded

goods and ser-

vices will suf-

fice. On the

other hand a

larger nominal

depreciation

will fail to do

the trick if it

is offset by

inflation.

Crafts con-

- that is the rate quoted in the

cent a year.

From Mr Peter Smith. Sir, Your leading article, "Classroom peace" (Fehruary 9), makes eminent commonsense. Teachers, for totally professional reasons and not because they are so-called "trendy lefties" intent on a fight with the government, sincerely believe that students will suffer if the government this summer presses ahead with its publication of English

tests for 14 year-olds. My union agrees with your conclusion, that the way out is for the government to concede with good grace a year's delay in publishing the test results. Sadly Mr John Patten, the education secretary, appears unwilling to listen. Instead be appears to be looking for con-frontation through a crude,

old-fashinged exercise of teacher-bashing.

He would receive praise not derision from teachers, and indeed parents, if he put the interest of pupils before a dogmatic desire to discredit a very caring profession. Peter Smith

general secretary Association of Teachers and Lecturers, 7 Northumberland Street, London WC2N 5DA

From Mr Nigel de Gruchy. Sir, I have to challenge your assertion in your leader that the action being contemplated by the NASUWT union and perhaps other organisations is a threat to "classroom peace". Nothing could be further from the truth. While the main concern of NASUWT is the mountainous increase in workload, a successful boycott nf the government's over-pre-

scriptive and distorting arrangements for national curriculum testing and assessment would have heneficial effects for the children. The beneficial side effect 🍲

would be that teaching would be restored to the classroom The disruptive, distorting and bureaucratic nightmare being imposed on pupils and teachers by the government's reforms would recede.

You also made the huge assumption that the government's version of testing would help to raise standards. I believe the overwhelming majority of teachers do not share your view. Nigel de Gruchy, general secretary, NASUWT, 5 King Street London WC2E 8HN

Revenue staff cuts will carry a cost

From Mr Clive Brooke. Sir, Andrew Jack's article. "A taxman assesses years of change" (February 8), gives a somewhat misleading impressinn that Inland Revenue staffing has remained much the same during the 1980s. The facts are quite dif-

in 1979 there were 86,000 Inland Revenue employees. That figure is now down to 68,000, with 18,000 having been shed. And the government and the department have plans - as yet unpublished - significantly to reduce staff numbers further during the 1990s hy shifting taxation administration on to taxpayers and the private sector through moving towards a US-style self-assessment system.

As the Chartered Association

of Certified Accountants warns, this will carry a cost not simply in mnney terms, but in a changed relationship between the Revenue and the taxpayer.

Your readers should know that it is rumoured that last year, for the first time, the Revenue wrote off more than 11hn of unpaid taxes. While part of that increased write-off without a doubt is attributable to the recession, much in our view is due to the govern-

emplay the number of tax collectors required. It is a strange world in which, while the governmen has to borrow ever more and contemplate raising taxes tn cope with a soaring public sector borrowing requirement, it

fails to recover a fair amount of what is due in it already for the want of a relatively small number of staff. Clive Brooke. general secretary, Inland Revenue Staff Federation. Douglas Houghton House. 231 Vauxhall Bridge Road.

London SW1V 1EH

Donor-aided research programme needs greater funding

From Dr P F A Van Look. Sir. Your article, "Not in the best of health" (February 4), quotes me as having said that lack of money has not been a problem for research in human reproduction and enntracen-

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Regrettably, this statement has been taken out of context and, as a result, may give the impression that this field of research in general, and nur programme in particular, is well provided for I wish this

research, development and training in human reproductinn is an international research programme. It is cosponsnred by the United Nations Development Programme, the United Nations Population Fund, the World Health Organisation and the World Bank. The programme's activities are financed, not from the WHO's regular hudget, but from voluntary contri-butions by some 20 developing and developed country govern-

The special programme for ments and prganisations. Until recently, these enlightened donors have been able to raise about 90 per cent of the programme's hiennial funding targets. However, the fact that donors have provided such support abould not be taken to mean that there is no funding shortage for the field in general or for our programme. It

> commitment and realistic hudgeting on our part.
>
> f would point out that funding for our current 1992-93 two-

year programme is likely tn reach only about 75 per cent of target because several of our European donors are forced to reduce their budgets for overseas development aid and a number of their currencies have recently been devalued. PFA Van Look acting director.

special programme of research, only reflects the donors' strong ing in human reproduction. World Health Organisation CH-1311 Geneva 27,

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FINANCIAL TIMES THURSDAY FEBRUARY 11 1993

From conflict to co-operation

MR JACQUES Delors told the European Parliament yesterday that "the very idea of a united Europe is in peril". He was right. The European Community's eco-nomic malaise is undermining its political credibility. Many belabour the UK for "competitive devaluation", or "Anglo-Saxon circles" for undermining chances of economic and monetary union. This search for scapegoets is more than a pity; it is a mistake.

Mr Delors rightly argues for a co-operative solution to Europe's economic problems. The difficulty has been that sensible co-operative solutions have not been on offer. On the contrary, those co-operative solutions that have been offered - the European monetary system, as it operated between German unification and September of last year, for example have made things worse, a possi-bility Mr Delors does not recog-

nise.

Nothing can be less appealing than defending the policies of the present government of the UK. Even so, it cannot be credibly criticised for whimsical resort to beggar my neighbour policies, as some do, however npsetting to other EC member states has been the manner of their implementa-

gloomie

Took fo

rerman

UK gross domestic product contracted by more than 4 per cent between the second quarter of 1990 and the third quarter of last year. The UK also ran a trade deficit with the rest of the European Community of Ecu8.5bn (£6.3bn) in 1992, larger than that of any other EC member country, bar Spain, while, its overall current account deficit was £11.8bn (2 per cent of GDP). Against so grim a background, even a devaluation of 16 per cent cannot be viewed as predatory, whether or not it turns out to be a "dead end", as the French prime minister has argued. No country can owe either exchange rate overvaluation or never-ending recession to its trading partners

Sterling was forced out of the ERM because its parity proved incompatible with economic recovery. It is for the same reason that the much-condemned speculators bave doubted other parities within the system. What made these parties inconsistent with tolerable economic performance was German economic policy, on the one hand, and the determination to eschew a degree of exchange rate flexibility, on the other, It is peculiar, therefore, for leading figures in German politics, largely respon-sible for the former, and leading figures in French politics, principally responsible for the latter, to blame the consequences of those decisions on speculators, "Anglo-Saxons", and other bugbears.

The EC must deal with the underlying causes of its malaise The Bundesbank, for example, is not so much a cause, more a victim of events. The most important cause was the refusal to allow the ERM to operate flexibly after German unification. The outcome has been a victous circle of economic deterioration and political conflict. The co-operation for which Mr Delors rightly calls needs to start

which regulate water quality.

Directives from the European

Community and standards set by

UK bodies such as the National

Rivers Authority can impose big additional costs on the water

industry. Mr Byatt is responsible

for keeping water bills as low as possible, without being able to

control the dominant factor push-

ing np costs - ever-increasing

environmental standards. He has usefully brought into the open the

question of whether environmental standards are unnecessarily

However, some responses from

the industry appear to have merit. It has criticised yesterday's paper

for a premature judgment that

meters curb the growth in demand

for water, arguing that prelimi-nary trials have been inconclusive

and the results of the Department

of the Environment's fuller study

will not be available for several

months. It has complained too

that the arguments in last

month's paper were guilty of cir-cularity in defining the value of

Yesterday's paper should not,

tberefore, be the last to be pub-

lished by Ofwat before the peri-

odic review. Further reports are

needed in which Mr Byatt sum-

marises the responses to his origi-

nal position papers and gives an

evaluation of their arguments.

Both investors and consumers

deserve to learn of Mr Byatt's

response to these rebuttals,

and how he proposes to bridge the

gap before he completes his

the companies' assets.

and expensively too high.

Water regulation

on the future supply of water in the UK is the latest in a series of papers to be published by Mr Ian Byatt, the director general of the Office of Water Services (Ofwat). The papers have been produced in the run-up to next year's periodic review of the regulatory regime for the water industry which will set the pricing formula until 2005.

The publication of these papers has been a commendable demonstration of glasnost. Mr Byatt has set out the conceptual problems be faces in regulating this most monopolistic of Industries. The water companies, environmentalists and consumers have all been invited to join the dehate and given data on which to make informed judgments.

This openness has well illustrated the exceptionally difficult problems faced in regulating the water industry. One of the most intractable is the requirement imposed on Mr Byatt to allow the water companies to make a reasonable return on capital. This requirement - not imposed on other regulators - was deemed necessary if the companies were to raise over £30bn needed to modernise the industry.

The definition of a reasonable rate of return led to an early clash between Ofwat and the companies. Mr Byatt proposed a target of 5 to 6 per cent; the companies say they need 9.5 per cent.

A further complication arises from the division of duties between Ofwat, which regulatea water prices, and other bodies review.

Act on Cambodia

1991 of Cambodia's peace agreement, most of the 370,000 refugees in border camps have safely returned home, and 4.7m people have registered to vote in May's elections. Those are the positive achievements of the 22,000-strong United Nations presence. The failures, however, are mounting.

The UN Transitional Authority in Cambodia, Untac, which was charged with supervising, monltoring and verifying the ceasefire. has instead watched war continuing. Rather than being disarmed and cantoned by Untac, factional forces have intensified their fighting. The Khmer Rouge, though it committed itself to the agreement, is not participating in elections and has perpetrated numerous ceasefire violations including attacks on UN personnel. It controis at most 20 per cent of Cambodia's territory and probably a far smaller proportion of the population. But violence is spreading. Government forces last week attacked Khmer Rouge positions in flagrant violation of the cease-

Ccasefire and disarming of troops were tu be the building blocks of the free and fair elections which the UN was to supervise. Though they have not been achieved, the country is neverthe-

less proceeding to elections. Cambodians, especially the Khiner Rouge, are responsible for the deterioration. However, Untac's authority has been under mined by inability, under its peacekeeping mandate, to react

SINCE THE signing in October strongly to ceasefire violations. It has not acted quickly or firmly enough to correct the situation.

It is no longer enough for Untac to hang on grimly and hope for the best. The danger of pushing ahead with elections without implementing other parts of the plan has been all too painfully demonstrated in Angola. If the Cambodian peace process is to be put back on track sufficiently for elections to produce a constitution and a government which can be recognised internationally, the UN needs to take action.

The options are not easy. It would probably not be possible to win support for a substantial change in Untac's mandate. What is needed is a substantial effort to win observance of the original peace agreement, even if that means postponement of elections.

China needs to exert leverage on the Khmer Rouge - so far it has avoided overt moves to distance itself. France, seeking to re-exert its influence through President Mitterrand's visit today, has mis-chievously promoted the holding of presidential elections before a constitution is drawn up. The permanent members of the UN Security Council, as well as Japan which is primarily financing the operation, must face up to the problem and act to correct it. If the country descends again into civil war, the years of effort put into obtaining a peace agreement, and the \$2bn allocated to the UN force, will be wasted - not to mention the lives of yet more Cambodians.

are the state of t

n air of apprebension hangs over today'a trade talks in Washington hetween the European Community and the US,

the first high-level meeting between the two partners since President Bill Clinton took office last month. On both sides, there is nervousoess about bow Sir Leon Brittan, the intellectual EC external trade commissioner, will cope with Mr Mickey Kantor, the new US trade entative and a shrewd dealmaker whose strongest card is that he has President Clinton's ear.

The need to establish personal chemistry is important because EC-US relations face a rough passage, at least in the short term. In the first three weeks of the new US administration the EC has had to digest statements and actions in Washington which, though some were not initiated by the Clinton government, have beightened the already sharp European fears of trade conflict with the US.

They include: ● A US Commerce Department decision to impose stiff anti-dump-ing duties on carbon steel products from 19 countries, including some

· A US threat to freeze out BC companies bidding for millions of dollars worth of US government contracts, because of objections to a EC utilities directive. Potentially more damaging is the hint that the US might withdraw from the General Agreement on Tariffs and Trade's multinational government procurement code.

 The new administration's resistance to extending the fast-track negotiating anthority beyond its expiration date on May 31. An extension of the fast track, under which the president offers completed trade agreements for congressional ratification without the opportunity for amendment by the legislature, probably offers the best prospect of wrapping up the six-year-old Uruguay Round of the Gatt world trade talks. There is some cause for optimism. Rarlier this week the Canadian trade minister was advised in Washington that an extension would be sought.

Sir Leon denounced the steel and procurement decisions as "unilateral hullying". He has also been frustrated by the administration's "go-slow" tactics on the Gatt. Without an agreement, he believes, a faltering world economy risks miss ing out on an expansion of trade of between \$100bn and \$200bn. Failure to reach a Gatt deal would further weaken an already-strained framework for resolving trade disputes.

EC apprehension stems partly from the change of power in Washington. President Bush was a known quantity, rarely allowing trade to dominate relations with Europe. He was adept at using Lionel Barber and Nancy Dunne examine the tensions surrounding today's EC-US trade talks in Washington

A meeting of suspicious minds

a foil, warning allies that he represented the best deal on offer.

President Clinton is an unknown quantity. His hig theme is change; but his relations with Congress are untested. His obvious focus is domestic, or as Mr Kantor put It in his confirmation hearings: "Trade policy is to be part of a co-ordinated and integrated economic strategy." Some EC trade officials worry

that this implies the eotry of oew players in Washington into the field of trade policy previously the preserve of a handful of politically inaulated "experts", such as Mrs Carla Hills, Mr Bush'a trade representative. Particular coocern centres not only oo Congress but also on the writings of Ms Laura D'An-drea Tyson, the head of the Council of Ecocomic Advisers and an advo-cate of "reciprocity" in trade, and perbaps Mr Lloyd Bentsen, the Treasury secretary and architect of tough 1988 trade legislation. Some hope that the discreet Mr Robert Ruhin, running Mr Clinton's economic security panel in the White House, could be a counterbalance.

This uncertainty explains why Sir Leon made a serious effort to reach an outline agreement on the Uru-guay Round with the outgoing Republican administration.

On January 2, four days before he formally took over his post, Sir Leon spent all day closeted with Mrs Hills. He offered sharp cuts in tariffs, prompting US officials to believe a large market-access package could be completed before the inauguration. What happened next is in dispute. EC and US officials in Brussels say the outgoing administration failed to respond with a serious counter-offer. In Washington, US officials say Sir Leon subsequently backtracked because of division within EC. Sir Leon now faces a fresh US

team. It is an administration which, on the fragmentary evidence of its first three weeks, with so many policles at home and abroad subject to review and with so many senior positions still unfilled, is not about to be rushed. Nor is Mr Kantor, a man patient and clever enough to have faced down the ultimate negotiator, Mr James Baker, when the two determined the framework of



last year's presidential debates. The key will be Mr Clinton himself. Those who know him well, like Ms Paula Stern, former head of the international Trade Commission, an Independent regulatory body, are convinced that philosophically he is a free trader, which was indeed the balance of the evidence of last

are tied up with global prosperity".
In spite of the EC's fears about resurgent US protectionism. Mr Clinton's words on trade as president have so far been carefully measured. He certainly did not encourage the US euto industry's pursuit of anti-dumping remedies and this lack of support was probably a facyear's campaign. She insists Mr tor behind Detrolt's decision on Clinton understands better than did Mr Bush that "America's prospects Tuesday not to proceed as threatened. Nor can new protectionist

should be increased.

impulses necessarily be read into the steet tariffs ruling, imposed in the first week of the new government but long in train.

Still, the US "wait-and-see" approach to the Gatt is not without risk, not least because it could exac-erbate several bilateral disputes already in the pipelinc. The dispute over state support for Airbus industrie, the European aircraft builder, may have temporarily been settled. But the EC remains angry over US taxes on European luxury cars, while the US-EC accord on agricultural export subsidies reached late last year, supposedly clearing the way for a Gatt deal, is still fragile. Above all, the steel and procure-ment rows, both of which Sir Leon and Mr Kantor must address today, underline the dangers of conflict.

What irks Brussels is that the US steel duties include a to-year period in the 1960s when the EC was operoting under a global "voluntary" restraint agreement with the US.
The US action looks like a breach of faith, but it also represents an abuse of the wide-ranging US antidumping law to protect a cossetted industry, says an EC official.

he dispute over the EC utilities directive is mur-kier. It allows EC govders where the non-EC content is more than 50 per cent. Also, preference is given to tenders where more than half the contents are EC-produced, even if the price is up to 3 per cent higher, Mr Kantor claims the directive blocks US access to government contracts; but EC officials see It as an important market-opening Initiative and a cen-trepiece of the single market programme, allowing outside bidders to enter a business worth about Ecu50bn (£40.6bn) in telecoms and electrical equipment alone.

One potential compromise is to drop temporarily the 3 per cent

clause in return for reciprocal coocessions under the US Buy America Act, a federal law which encourages domestic procurement. But the bilateral disputes cannot conceal the main task in front of Mr Kantor and Sir Leon. This is to establish a road map for a future Gatt agree-ment which includes tackling spe-cific areas of dispute and a commitment to an early deal.

Without such a commitment, says Mr Gijs de Vries, a Dutch Euro MP and close observer of US-EC rela-tions, trade tensions will come to dominate the transatlantic alliance. putting at risk necessary co-operation in other areas such as bringing peace to the former Yugoslavia and helping reform in the former Soviet Union. The Clinton administration would not dissent from this view. But defusing trade disputes will not suspicion on both sides.

Absence of road pricing takes its toll



electorate rather pay road tolls or bills? medical Astonishingly, this basic question is not being asked in the government's new PERSONAL review of public VIEW spending priorities, which covers only

Would the British

health, education, social security and the Home Office. Road tolls are being eased on to the political agenda, but as a separate item promoted by the transport department. Yet the provision of roads is as much part of the welfare state as the provision of state pen-sions and schools. And although public expenditure on roads is mod-

est compared with the health bill, the yield from tolls could easily be more than £10bn. There could be even bigger gains to the public aector borrowing requirement if roads were privatised. The German government has recognised the benefit of such a move, having just approved plans to privatise its autobahns and impose an annual fee.

Resource allocation on Britain's road system is one of the last outposts of Soviet-style economics. Road usage in big cities and on many inter-city rontes is limited by queueing rather than pricing, as used to happen in Moscow's food stores. No attempt is made to charge for factors such as vehicle emissions, congestion or accidents. echoing the practice applied to East

Germany's chemicals plants. There is a strong economic case for sweeping all this away and replacing it with electronic road pricing, especially in urban areas, with premium rates for the rush hour and discounts after midnight. For users concerned that the system might allow their movements to be tracked, technology exists for them to be charged anonymously.

By contrast, the market for

healthcare is bedevilled with information problems, as US medical services demonstrate. Doctors know much more than their patients, which allows them to charge for unnecessary tasks. The threat of negligence suits helps to institution-alise this over-provision. Private health insurance suffers from market failure owing to "too much information": there can be no insurance for chronic conditions where it is known that treatment has to be provided, nor can hereditary conditions be covered.

Recent studies of road pricing do not give figures of probable revenues, so we have made tentative estimates. We reckon the annual toll revenues at £11.5bn, assuming a

Resource allocation on Britain's road system is a last outpost of Soviet-style economics

rate of 3p a kilometre for cars on motorways and trunk roads, close to the French level, and 8p in towns. This also assumes that tolls cut traffic volumes by one-fifth. Experience of tolls on UK river crossings and continental motorways suggests that a substantial net income would remain after collec-tion charges. Moreover, the flotation value of the railway companies

If the entire road network were privatised, the private sector would raise the capital to develop and install the toll collection systems and to fund the existing road building programme. The flotation value would be very roughly £75hn, at a price/earnings ratio of 12, neglect-ing tax, if annual collection costs were 10 per cent of revenues, and if creation of the toll systems cost one year's revenue. The German government estimates that its autobahn network is worth DM120bn-

DM130bn (more than £50bn). The effect on the PSBR would be significant. If these proceeds were spread over five years, the PSBR would be cut by £18bn initially (£15bn from the flotation, plus £3bn saving on road expenditure), and by more as the savings on debt interest built up. After five years, there would still be an annual saving of some £9.5bn (£6.5bn from lower interest payments, plus the £3bn). The exact figures would of course depend on many items, including the treatment of local authority spending and on whether the road fund licence was retained.

series of companies with good potential to develop new technologies and services for sale on domestic and international markets. At home, they could sell real-time traffic information systems to drivers and, eventually, road guldance aystems to take over control of vehicles on the motorways. Abroad, they could sell their expertise in electronic toll collection and guidance systems into what looks set to be a rapidly developing market. Road pricing offers a way of

This privatisation would create a

slashing the PSBR, while reducing congestion and pollution, and creating the base for a world-class high-tech industry in the UK. The economic arguments in its favour seem almost overwhelming compared with those for charges in other areas of the welfare state, especially healthcare. Yet it is not even on the agenda. Something is wrong.

Giles Keating

The author is chief economist at Credit Suisse First Boston

Fate of the art

Amid all the fuss about what's to happen to British Rail's multibillion-pound pension fund, ons little detail seems to have been missed. Who gets the art collection? British Rail's decision to invest £40m of its workers' pension monies

in works of art in the 1970s has proved to be one of its more imaginative husiness decisions. Helped by Sotheby's, BR bought 2,200 high-quality objects from Old Masters and Impressionists to Chinese antiquities.

Luckily it got rid of most of them before the art bubble burst in 1989. and reckons to have earned an annual return after inflation of 6 per cent on its investment. With the Impressionists,

including important works by Renoir and Monet, It did much better. Having put in £3.4m, it recouped 10 times as much just before that particular segment of the market's technicolour collapse. Only around 350 objects remain in the collection but they include some of the finest canvases. particularly of the Old Master kind. There is a striking Van Dyck of the Little Princesses, on loan to the National Gallery of Scotland, and a Goya Bullfight currently thrilling aficionados in the Fitzwilliam. A similar Coya sold in December for almost £5m.

Somehow Observer suspects that,

if the remnants of the collection pass into the Treasury's hands, they will either be off-loaded at just the wrong moment or stuck in some anonymous warehouse. Perhaps the pension fund trustees -should strike first, and hand what's left to the railway museum at York.

Gros Mac

■ What price haute cuisine now? A study by consultants MKG Conseil shows that France's most prominent restaurateur today is McDonald's, which last year overtook all rivals with a 26 per cent hike in sales to FFr4.1bn.

Heavy loss

Before Britain loses Storehouse's David Dworkin to a new life in California, Observer thinks readers should know the secrets of the BhS and Mothercare group chief executive's diet. After all, even though by no means porky on reaching BhS from America in late 1989, he has since personally shed as much further excess fat as he took out of the business.

His intake is apparently based on regular helpings of carbohydrate. Favourite lunch is a jacket potato followed by yoghurt, but he denies wandering around the head office eating a bowl of Rice Krispies. Whenever his blood sugar is a little low he unzips a banana. Another ingredient, which may

OBSERVER



'What's sterling up to now?'

account for the breath of fresh air he has brought to Storehouse is plenty of exercise. But since he sometimes takes it to the extent of working in cycling shorts, he may well be better suited to life on the west coast.

City chiller

The City of London establishment should surely shiver at the sight of Morgan Stanley International, the London end of the pushy Wall Street broker. sharing the underwriting of the Commercial Union rights issue

with Kleinwort Benson. It's one thing for firms like

Morgan Stanley to earn a crust by brokering clever deals to UK corporate clients. But the CU deal was a bog-standard rights issue which Kleinwort, CU's traditional adviser, would have dearly loved to have done on its own and collected the full fee.

Presumably Morgan Stanley's name has been added as a reward for past favours to CU. It certainly belies the accusation that US investment banks are only interested in doing deals and not prepared to invest in long-term relationships with their clients.

Wash out

■ Malaysian company Hidong deserves at least a small prize for its excuse for not yet publishing its results for the half year to September 30. It blames difficulties in replacing departed accounts staff, due to flooding during the monsoon period of November and December.

Vein hopes

■ Talk about cutthroat competition. Hoping to boost its supplies, Norway's Haukeland blood bank is offering donors free admission to the local cinema, currently

showing Dracula. Meanwhile, recession is prolonging the life of a Finnish monopoly industry. The country's sole shoeshine boy, 69-year-old Leonty Ivanov, has postponed his

planned retirement because lack of custom at his Helsinki stand means he'll need longer to pay off his tax arrears.

Van hopes

■ Wheels within wheels. Motor-industry watchers goggled at the speedy departure from DAF of Sandy Mathieson to return to his former British Leyland haunts with Rover. Could this berald a Rover-led rescue of Leyland DAF's Birmingbam van plant?

For one thing, Mathieson was in the front seat beside current Rover chairman George Simpson while he was turning round British Leyland's van husiness before the merger with DAF in 1987.

For another, the man wbo then took over the controls - Graham Morris - is also back with Simpson overseeing European marketing operations. And, for good measure the faltering van plant supplies the key body components for Land Rovers and Range Rovers to boot. Alas, hopes that Simpson and Morris had pulled in Mathieson for a mercy dash appear to be mere wishful thinking. It's said be'd decided to make his move well before DAF ran out of road.

Troublemaker

■ How do you spot an anarchist in Switzerland?

He doesn't use the postcode.



FINANCIAL TIMES

Thursday February 11 1993

IS AVAILABLE ON MONDAYS AT NEWS KIOSKS IN THE CITY

NBC makes apology to GM

Carmaker's determination is clear, writes Martin Dickson

ONE OF America's best known television presenters, Ms Jane Pauley, took to the screen on Tuesday night to deliver a grov-elling apology on behalf of the NBC network to General Motors,

America's biggest carmaker. NBC's admission of wrongdoing came just a day after GM launched a suit for defamation against the network, which it said had rigged a broadcast test of a GM truck to make it burst into fiames during a collision. In particular, GM said NBC had fitted small incendiary devices - boosters for toy rockets - underneath the vehicle. The devices were detonated by

that any petrol spilt during the collision would catch fire. The current affairs programme Dateline NBC had aired pictures of the blaze without telling its 11m viewers about the rockets.

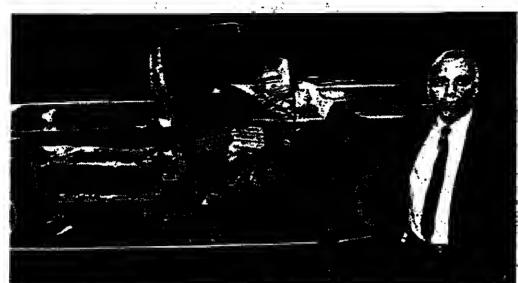
remote control, thus ensuring

Apologising to both GM and viewers, Ms Pauley said the crash demonstration was inap-propriate, the use of "incendiary devices" was a "bad idea from start to finish", and that the public should have been told about the devices. GM followed through by calling off its legal

GM'e investigation began after a tip that the tests were rigged. The company wrote to NBC seeking its co-operation and access to the two vehicles involved, only one of which (a 1977 model) canght fire. NBC replied that the

pick-ups had been destroyed. GM, however, scoured dumps in rural Indiana around the test eite, found the vehicles, and signs that the rocket devices had heen taped to them. It also nncovered photographic evidence of a remote-control device being used to set off the explosions and puffs of smoke coming from beneath the vehicles just before collision

An X-ray of the 1977 vehicle's fuel tank showed this had not heen pierced - contrary to



GM executive vice-president Harry Pearce points to a Chevrolet pickup truck used in a crash test by NBC

claims in the NBC programme. And hy finding the previous owner of the vehicle, GM established that It was fitted with a faulty fuel cap.

In other words, the fire set off by the explosive devices was fed by fuel escaping from the vehicle's filler tuhe, when the fuel cap flew off in the collision, and not from a ruptured tank. But the clash between two of America's best-known household

names will not end here. It strikes a severe blow to the credibility of NBC, which is already struggling with a serious morale problem. Since its takeover hy General Electric in 1986, NBC has dropped from first to last in the ratings of America's three networks. This latest blow comes on top of the recent loss of its late-night talk-show host, Mr David Letterman, to rival CBS. GK is believed to want to sell NBC and the GM dehacle is likely to strengthen its resolve.

The incident also underscores

the dubious quality of some US

investigative television report-ing, which often seems shallow in its analysis and sensational in its treatment of facts.

Media analysis suggest standards have slipped over the past two decades as networks have faced declining hadgets and increased competition for viewers from cable channels. NBC said yesterday that from now on "unscientific demonstra-

tions" would have no place in hard news stories at the net-The apology also gives a boost to GM, which is struggling

against a tide of bad publicity over the safety of its C/K pick-up trucks built between 1973 and 1987. The fuel tanks on these pick-ups are located at the side, and outside the main frame, which critics have alleged makes them particularly vulnerable to fire when hit from the side.

Last week a jury in Atlanta Georgia, found GM guilty of negligence in the design of the trucks and ordered it to pay over

\$106m to the parents of a teen-ager killed in an accident involv-

ing a C/K. GM is appealing. Government regulators are investigating the safety of the vehicles, which GM insists are no more dangerous than those of its rivals. If the regulators disagree, they could order a recall of the estimated 4.7m trucks still on the road for modification, which would cost GM hundreds of millions of dollars and lay it open to more suits.

GM's legal action demonstrates forcibly that the company is prepared to fight hard to fend its pick-ups, and will not recall them unprompted

The apology from NBC is a hig morale-booster for a company which has faced a harrage of bad publicity as it struggles to turn its North American car operations back to profit. All this was spelt out in meticulous detail by GM at a two-bour news conference on Monday, complete with a dramatic unveiling of the smashed up test vehicles.

THE LEX COLUMN

CU's growth policy

So what is holding the Bundesbank

back? Perhaps it is partly the convic-

omy is not as bad as the high-profile

troubles in manufacturing suggest. Perhaps, too, it believes that only a

credible anti-inflation policy will pro-

duce the low long-term interest rates

needed to finance the budget deficit at reasonable cost. The bank must also

be worried that lower short-term inter-

est rates could spark a surge in the

dollar, pushing up prices at home.

If the Bundesbank is clinging to

these beliefs in the face of a such a sharp rise in unemployment, it is diffi-cult to see it letting them fade entirely

into oblivion as soon as the money supply numbers improve. There is lit-

tle ground to believe that rate cuts

will be as aggressive as in 1982-83

when the discount rate was cut by 3.5

points in the space of six months. Sooner or later the exchange markets

will cease to be distracted by tiny rate

cuts and strains in the ERM will reap-

the break up of the system, other

European economies will be spared

the worst of what promises to be a pretty nasty recession. Either way it

hardly bodes well for Germany itself.

A 10 per cent fall in Storehouse's

shares over the past two days seems a

rather extreme response to its chief

executive's departure. Shareholders

presumably took the view that if Mr

David Dworkin had decided to take

the money and run they should perhaps do likewise. Their nervousness is understandable. Since Storehouse had

previously been trading on a prospec-

Storehouse

ar with a vengeance. If that leads to

insurance companies have a poor record of managing expansion. The market might therefore wonder whether Commercial Union can deliver a decent return on the £428m (\$645m) raised yesterday. Having akea on an additional fibn premium income last year, the company is moving at speed. Yesterday's full year figures show the early benefits of the prantium increases which have been implemented both in the UK and abroad. The danger is that capital committed to the market from here on well arrive just in time to catch the next down-swing in the insurance

CU might argue that competitive pressures will be slow to re-emerge this time around. Composite insurers have raised over 21bn either from rich parents or, in the manner of Sun Alli-ance's convertible bond on Tuesday, from the capital markets in the last year. But that replaces only a fraction of the capital sucked out by losses since the late 1980s. There is certainly no sign yet of UK rates starting to soften. With so many of the opposition disabled hy mortgage indemnity losses, the opportunity to match UK market share must look too good to pass up. Although expanding life sarrance sales in relatively unknown markets like Spain and Italy carries risks, it might provide valuable bal-ance to the more violent swings in

Judging by the 2 per cent rise in the shares yesterday, the market is willing to give the company the benefit of the doubt. But the competition is unlikely to just sit back and watch. By bringing its results forward to launch the rights issue. CU was keen to be at the front of the quede for funds. Too many more cash calls from insurers will be a signal to clear out of the sector.

Germany

Foreign exchange markets had been primed to expect so little from yesterday's German money market repurchase operation that a 7 basis point cut in the rate to 8.5 per cent actually came as something of a relief. Yet it is a sign of the Bundeshank's extraordinary reloctance to relax monetary policy that it has not allowed the money markets to adjust fully even to last week's quarter point cut in the discount rate. On the surface, that looks a singularly hard-hearted reaction to the latest government report, which gloomly forecasts a decline of up to 1 per cent in economic output this year.

FT-SE Index: 2816.4 (-14.9) was little room for any trading wobbles. Although there is no hint of any boardroom rancour, Mr Dworkin's denarture is abrupt and leaves a con siderable void. As the inspirational force behind BhS'e renaissance, Mr Dworkin was as much the symbol of change as its architect. The fear is Storehouse will lose momentum unless an energetic successor is appointed quickly.

Storehouse has no financial worries after disposing of Habitat and Richards. Its two main trading companies are operationally sound. BhS has decisively turned the corner and Mothercare appears to be on the mend. Ms Ann Iverson, who followed Mr Dworkin from Bonwit Teller to BhS and now has a critical role in rejuvenating Mothercare, has signalled her determi-nation to stick with the challenge.

likely to drift until the top slot is filled. Worryingly, there are no obvi-ous candidates in sight. The longer the wait, the more fittery the market will

Lloyds Abbey

Yesterday's full-year results will do little to encourage Lloyds Abbey Life's biggest shareholder to increase its stake. Selling life assurance products to Lloyds Bank customers has proved far from recession-proof. New business figures are generally better than achieved by competitors without the benefit of a captive audience. The long-term argument in favour of bankassurance remains intact. But the slower rate of growth suggests bank customers are not all lining up to buy insurance. Lloyds Abbey faces a hard slog reaching customers in the numbers talked about when the alliance was first hatched.

With its exposure to estate agencies and mortgage lending, Lloyds Abbey's earnings might be expected to recover smartly once the housing market turns. Economic revival will equally help sales of profitable regular premiom life products. But that may not mean sharply higher dividends. This year's unchanged pay-out is only just covered by distributable profit. Higher sales of life assurance will have to be backed by additional capital. Some will have to come from retained earnings. While interest rates are low, a 5.2 per cent yield will doubtless provide some support for the shares. But the market is likely to remain sceptical until the growth prospects are clear.

Major faces party rebels

Continued from Page 1

The government would have opportunities both in the House of Lords and at the Common report stage to reverse it.

Labour and the Liberal Democrats yesterday insisted that the UK could sign the social chapter in a brief procedure without opening up the treaty to full-scale review.

Privately Labour acknowledged it had little chance of imposing the social chapter on the government, but every effort will be made to maximise the Conserva-

tives' discomfiture. Meanwhile, government business managers are aiming to per-suade Labour and Liberal Democrat pro-Europeans that they are jeopardising the whole treaty by backing the eocial chapter amendment Pressure on Labour is also expected through overtures to European socialist parties, to persuade their British colleagues to back down.

German autobahn tax plan

By Quentin Peel in Bonn

THE German government's plan to impose a new road tax on autobahn users yesterday ran into a barrage of abuse, mostly

As Germans woke up to the fact that their favourite weekend pastime, alternately dicing with death at unlimited speeds and sitting in autobahn traffic jams, going to cost them up to DM400 (\$250) a year, the flak started flying.

his members already paid petrol taxes and it was unreasonable to make them pay twice. He suggested a special tax on lorries

Mr Ekkehard Gries, transport. spokesman of the Free Democrats (FDP), the crusading free marketeers in the ruling coali-

Even the leftwing anti-motor lobby was critical. Mr Franz Steinkühler, leader of the engi-

neering union, IG Metall, called it "an act of monumental dim-wit-

Bonn gloomier on outlook for west GermanyPage 2

The Greens said making motor ists pay to drive on motorways would only encourage them to use them more, in order to get value for money. According to an instant opinion poll by the Forsa research institute, 46 per cent of Germans will stop using the autobahns if the charge is intro-duced. Some 12 per cent said they would take to public transport, and 37 per cent would carry on

the police trade union in North Rhine-Westphalia, where a web of autobahns covers the industrial heartland. He said his members, were already overworked and underpaid, and would not enforce the new system. "We will fight this one all the way," he said, "to make sure our members 'don't have to turn into tax

The extraordinary backlash took Chancellor Helmut Kohl and transport ministry hastily

Mr Dieter Vogel, the govern-ment spokesman, said no date for

drives straight into problems

Mr Otto Flimm, president of ADAC, the motorists' club, said tion, called the plan "nothing The final blow came from Mr. more than money-skimming". Klaus Steffenhagen, chairman of

inspectors." his colleagues by surprise. The explained that the tax was only a first step to an electronic toll system which would charge motorists by the mile.

its introduction, nor any figure for the motorway charge, had

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Colin Powell may quit ahead of time

By Jurek Martin in Washington

GENERAL Colin Powall confirmed yesterday that he was thinking of retiring early as chairman of the joint chiefs of staff, but flatly denied this was because of disagreements with the Clinton administration.

He appeared on morning television shows after a report in the New York Times which quoted "friends and associates" saying he was unhappy with President Bill Clinton's determination to dmit homosexuals into the military and with the extent of the defence budget cuts under conGen Powell's second two-year term as chairman of the joint chiefs expires at the end of Sep-

told Mr Dick Cheney, the previous eecretary of defence, last summer that he would not seek a third term even if President George Bush were re-elected. He had spoken then of leaving the post a month or two early in order to resettle his family. But he vigorously denied suggestions that he was at odds with the new administration's policies.

He said the military had received "good guidance" from Mr Clinton and Mr Les Aspin, the new secretary of defence, with both of whom he had "a fine rela-He said yesterday thet he had tionship". He said he had every intention of testifying before Congress in support of the new and reduced defence budget.

Gen Powell was also et pains to stress that the military at large was not distressed by the new policies. "There's nobody over here in a blue funk, thinking the whole word has dropped on us," he said. "We shouldn't let the impression be created around the country that somehow we are He reiterated his "concerns"

about admitting homosexuals into the military, but said the president's guidance on the issue was clear and he was not about to be "insubordinate" by frustrating them. Gen Powell is rated a phenor nally successful chairman of the joint chiefs, and not only because

of the victory in the Gulf war. His doctrine of "maximum force" has been criticised by some who feel that it delayed US intervention in humanitarian orises such as Somalia, but his reluctance to commit forces overseas without a clearly defined mission commands much respect in Washing-ton, where he is rated as a consummate politician.

Italian Socialist justice minister resigns

"I'm not in any conflict with the

administration over their plans

early as a result of any conflict."

Continued from Page 1

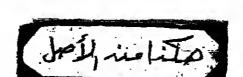
Martelli is the first to resign. Prof Giuliano Amato, the prime minister, last night faced the delicate task of finding a credibility of the government. He will assume the justice portfolio himself in the interim.

pared to L926 at midday.

L931 against the D-Mark com-Commenting on Mr Martelli's resignation, a rare gesture in The lira weakened in after Italian politics, Mr Achille-hours trading. It was quoted at Occhetto, the leader of the for-

mer communist Party of the Democratic Left said: "Mr Martelli's action is appreciated at a personal level, but it is a sifustion which involves the whole

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COMPANIES & MARKETS

OTHE FINANCIAL TIMES LIMITED 1993

Thursday February 11 1993

OF QUALITY BRIGHT STEEL

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INSIDE

Schneider sells off components arm

FRUEHAUF

Schneidar, the French engineering and construction group, is finalising a deal to aall Jeurant-Schneider, its alectronic components arm, to Framatoma, the state-owned supplier of nuclear reactors. The disposal is expected to be a complex deal, with Framatoma retaining the campany's nuclear activities but selling non-nuclear interests. Page 14

insurers hit the doldrums

Problama at Franch insurers could scarcely hava come at e worse Uma. The Insurance industry has hit the duldrume just as the three state-controlled companies — UAP, AGF and GAN - ara preparing to be privatised. Page 16

UK season opens amid gloom

As the UK reporting season npens, investors axpect disappointing naws. Profits and dividends are axpected to ahow no growth nr a alight aggregate fall. New accounting rules will make results more volatile but easier to analyse. The Financial Times is modifying its reporting at UK results to make tha most of the

Chinese seek Hong Kong listings



Soma of China's largest state-run industries will this year list an the Hong Kang Stock Exchange. The potential for Hong Kang is annimus. However, nne obstacla in the smooth leunch of Chinese llotations is a need to re-educate the companies' management.

Aluminium floods into the west

Tha flood of CIS aluminium exports that has thraatened the survival of some European smaltars is also causing grave concern in the CIS, whare some industries, including fish canneries, have run short of the metal. Page 22

Ciba-Gelgy

Shara price (SFr) 700

Pharmaceutical stocks wobble Pharmaceutical stocks, a salva for market woes for much of the receswnbbla, Most British and American drugs-stocks investors switch nut of defensiva companies. The anvironment for healthcare stocks is changing for the worse.

Market Statistics

Financial futures

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World stock mkt indices

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Chief price changes yesterday

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PRANKPURT Rises				Rises	972	+	18
Aska	0.0	+	24	CEIP		÷	11
Bill & Barger	9145	+	145	Schneider	566		
Darmier-Benz		+	11	Seffrago	456	+	14.1
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Rives			70	filmes			
Altera	17.78	•	7	Galoen Kanko	265	+	25
Apple Materials		+	12	Handa Bussan	295	+	49
Intei	114%	+	4	Lonseal	250	+	36
Falls				signor: Seima	254	+	24
Actna Life	284	-	4		230	÷	22
Eastman Kodak	52	_	14	Ples-Tech	230	•	_
Travelers	28 4	-	³₽.	Falls		_	400
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berge (LL.)							

Accounting change takes Ford loss to \$7.4bn

By Martin Dickson in New York

FORD Motor, the US carmaker yesterday reported a \$7.4hn loss for 1992, due largely to a \$6.95n non-cash charge for a change to accounting prin-ciples but also a \$419m fourth-quarter charge for restructuring its European

The accounting change involves retir-ees' health benefits and affects all US companies. Ford's charge is one of the highest reported, but it will be dwarfed

announced by General Motors. For the fourth quarter, Ford

announced a loss of \$840m, or \$1.85 a share, after taking the \$419m charge for restructuring in Europe, where it has been hit hard by recession and is cutting jobs extensively. The loss compared with red ink of \$478m, or \$1.63 a share last time, and was struck on sales of \$25.4bn, np from \$21.98bn.

The group's full-year loss of \$7.4bn, or \$15.61 a share, compared with a loss of

\$2.25bn, or \$4.79 a share in 1991. Excluding accounting changes, it lost \$502m

Ford's North American vehicle operations have been helped by a gradual recovery in the market and Ford has been gaining market share. It held 21.8 per cent of the car market

in 1992, np 1.7 points from 1991, and its Teurus model overtook the Honda Accord to become the best-selling US car, helped by some hefty year-end

\$405m in 1992, excluding accounting charges, an improvement of \$1.8bn over 1991. However, outside the US losses rose from \$970m to \$1.1hn.

Its financial services company, Ford Credit, had record earnings of \$1.04bn, or \$892m, excluding eccounting changes, up from \$749m in 1991. Mr Harold Poling, the chairman, said

the company was cantiously optimistic about 1993. It expected the US vehicle

Europe would drop to around 13.7m. against 14.9m. He said many of the problems of 1992 were continuing this year, including

weak economies, intense competition and excess capacity. However, the company's cost redoction efforts and recent new products, coupled with gradual economic recovery in the US, "provide the basis for continned improvement in operating results". Ford of Europe results, Page 16

Steven Jobs to concentrate on computer software development

Canon set to buy Next hardware

By Michiya Nakamoto in Tokyo and Louise Kehoe in San Francisco

CANON, the Japanese office equipment manufacturer, is set to acquire the computer hardware husiness of Next Computer, the innovative US computer com-

It already holds a 16.7 per cent stake in Next, and was the com-pany's first outside investor. Formed in 1985 by Mr Steven Jobs, the computer entrepreneur who co-founded Apple Computer. Next is abandoning computer

manufacturing to concentrate on

selling its highly-regarded com-

puter software. The move represents a disappointment for Mr Jobs, who had hoped to repeat his achievements at Apple by creating another industry-leading computer com-

It also reflects Canon's growing involvement in the computer business, where its presence so far has been restricted mainly to the manufacture of peripherals, particularly laser printers.

Mr Jobs owns 46 per cent of Next while Mr Ross Perot, the Texas billionaire and former presidential candidate, owns 11 It has, bowever, sold only about 50,000 computers, in spite

of having software that is widely praised by computer experts.

Steven Johs: confident that he can overcome Microsoft's near monopoly of PC operating systems puter operating system for per-sonal computers. This will place Next in competition with Micro-

soft, which dominates the PC operating system. However, Mr Jobs is confident that it can overcome Microsoft's near monopoly. "We believe that we are two to three years ahead of Microsoft and Taligent," be said. Taligent is a jotot venture between Apple Computer and International Business Machines that is developing a new PC oper-

ating system.

the month, be said. The company will cut its workforce from 530 to about 200.

"Canon has not decided what it wants to do, but there should be a decision by the end of the

month," said Mr Jobs.

Just last month, Mr Jobs
announced that Next bad achieved its first quarterly operating profit in the fourth quarter of 1992. He said that the company's revenues for 1992 were \$127m, up 10 per cent from 1991. Next had been planning a public

new version of its Nextstep com- California, factory by the end of If an agreement is finalised,

Canon would also gain exclusive sales rights to Next's software products in the Pacific and Asia as well as the right to use software that would enable Canon copiers and printers to run on Next software.

Canon will continue to supply Next hardware and maintenance service in the Asia and Pacific areas in which it already does so. Motorola supports Next customers in the US.

A Canon representative said yesterday that "Canon has a history of diversification and it is conceivable that in future it will build e computer business" based on the Next hardware operations it is considering acquiring.

From its origins as a camera manufacturer in 1937, Canon has successfully diversified into e manufacturer of mainly office equipment, which now account for 80 per cent of its turnover. Cameras comprise only 15 per cent of turnover while others, euch as semiconductor equipment and medical equipment. make up the remaining 5 per cent. Most recently it joined forces with IBM to introduce a compact Notebook PC that comes with e hubble-jet printer.

joint chief executive with Tiny Rowland MR DIETER BOCK, the German

Lonrho makes Bock

By Roland Rudd in London

financier with an 18.8 per cent stake in Lonrho, the interna-tional trading conglomerate, was yesterday appointed es joint chief executive and managing director with Mr Tiny Rowland. Mr Rowland, who has effectively run the company for the past 31 years, said Mr Bock would have no separate duties or

responsibilities. However, Mr Rowland said Mr Bock's appointment would allow him to spend more time in Africa

while Mr Bock said his expertise would enable him to deal with "questions relating to [Lonrho's] financing". Mr Paul Spicer, Lonrho's dep uty chairman, said: "It should not be misunderstood, there is no division. There is no split, no

potential for conflict. With a telephone call both will know what the other is doing. While the joint chief executives stressed there would be no significant changes in the running of the company, Mr Bock revealed that the group had changed its mind over the

sppointment of non-executive After discussing the implications of the Cadhury Report. which recommends that companies should appoint independent non-executive directors, Mr Bock said Lonrhn's board was now looking for "reputable non-exec-

utive directors" In the past the group said it did not believe that the appointment of non-executive directors

WBS 'Necessary. Although Mr Rowland named Mr Bock as his successor be said he intended to continue as joint chief executive for at least three

Mr Bock said the group's main aim was to continue to reduce borrowings - which recently rose to £947m (81.36hn)



Dieter Bock; wants 'reputable

through minor disposals. With the exception of the Asbanti Goldfields Corporation in Ghana, Lonrho's investments in companies it does not control are np for sale. For example, Mr Rowland said Lourho may dispose of its minority stakes in Anglo-American's Leenwhosch and Eastern Gold mines in South Africa.

Lourbo's core businesses. which Mr Rowland identified as mining, hotels, agriculture and trading, would not be sold. However, he explained that Lomho did not have to own 100 per cent of a core business, "The minimum holding level is 51 per

Mr Rowland said he would consider allowing Gencor, South Africa's biggest mining house, to

increase its 27 per cent stake in Lourho's three platinum mines, if It should wish to do so. Lonrho recently had talks with Gencor abont e possible merger but Mr Rowland decided that it

to be South African-controlled.

UK insurer plans expansion from £428m rights issue as profits return to the black, writes Richard Lapper

Taking on fewer risks to enjoy a healthier future

UK insurance company, yesterday signalled its intention to pursue further expansion to the UK and international general and life markets by launching a £428m (\$614.4m)

rights issue. The group also announced a pre-tax profit of £31.4m, compared with a loss of £58.8m, after bringing forward the announcement of its 1992 results by three weeks. CU's results should comfortably exceed its rivals.

Five years ago anyone suggesting that Commercial Uninn might become the strongest and moet profitable UK insurance company would have provoked

In the mid-1980s CU was one of the first UK insurance companies ever to report losses and for much of the 1980s was regarded as the "sick man" of the UK insurance sector. Yet after yesterday'e rights

issue Commercial Uninn has emerged as the strongest and best capitalised of the UK's large insurance companies. Capital and reserves of £1.9bn exceed those of its rivals, including the erstwhile leader Sun Alliance. "It is a remarkable turnaround

in seven or eight years," says Mr Steven Bird, analyst with Smith New Court, the securities house. Mr Tony Wyand, executive director, who orchestrated yester-day's well-leaked rights issne, said: "We've managed to rehabilitate the company in the eyes of its shareholders."

CU declared a final dividend of 15.1p per share, giving a full dividend for the year of 24.35p, a rise of 3 per cent.

Shareholders were offered one new share for every five ordinary shares at a price of 490p per share. CU's shares, which bad lost ground recently, were boosted by the better than expected results, rising 12p to close at

610p. CU's success reflects the difficulties of its rivals, whose management has been ill-prepared to face one of the deepest downturns in the history of the UK insurance industry. Claims from mortgage indemnity policies will exceed fibn.

In 1986 Mr Peter Ward, who directs UK business, opted to cut



Commercial Union recovers

Pre-tax profits/loss (2m)

Solvency margin (%) 100 1987 88 89 90 91 92 masa Miling

business on the grounds that returns were inadequate. In contrast three companies - Royal Insurance, Sun Alliance and Eagle Star - were blase about the risks of domestic mortgage indemnity and have been crippled by losses stemming from the crisis in the housing market.

Mr Tony Brend - along with three other executives, Mr Wyand, Mr John Carter and Mr Ward - based their recovery strategy on reducing exposure to higher risk and more volatile lines of business such as commercial insurance.

Instead CU has focused on huilding less risky life assurance business, especially in mainland Europe. Life premiums now account for 35 per cent of premium income compared with 17 per cent 10 years ago. CU has also reduced its exposure in the US, which now accounts for only 27 per cent of its premiums compared with 50 per cent in 1982.

Mr Wyand took advantage of "time and distance policies" financial reinsurance policies to extend the timescale of heavy US liabilities from asbestosis and pollution-related claims. Heavily burdened by their

CU's main rivals are less well positioned to take advantage of the current upturn in rates. "We are now fully capitalised to take advantage of a once-in-ageneration opportunity in the UK

Lex, Page 12; Observer, Page 11

market," says Mr Wyand.

CORBY M1 1993. The year of the Single European Market. 1993. The year of the citch. A single rentorway-calibre link from Corby to the MI and the AIM. The only direct MI-AI link in the middle of England. Bringing North and South, East and West, Euro-link ports and international nirports into even faster reach. Putting Corby's 600 new, successful companies even more an the map. Making booming Corby even more the place for you to be. At the five centre' of England. In ready-made factories and modern commercial premises developed by confident private enterprise. On land where you can dasign and build for yourself. In n Development Area where Government gronts in anchuroga growth and afficiency still aperate, and soft European Community loans are still available. I want to know more about spalling Corby with an aitch: To: John Hill, Director of Industry, Carby Industrial Development Centre, Gronvenor House, George Street, Carby, Northern NNIV 117, Tel. 0536 62571, Fax 0536 401374. mortgage indemnity exposure,

Schneider to sell components arm

By Alice Rawsthorn in Paris

SCHNEIDER, the French electrical engineering and construction group, is in negoder, its electronic components subsidiary, to Framatome, the state-owned supplier of nuclear reactors.

The two companies yesterday confirmed that they were in discussions and were finalising the terms of the sale.

The Jeumont disposal is expected to be a complex deal. with Framatome retaining the company's nuclear activities but selling its non-nuclear interests to Alcatel Alsthom,

Gardini and

Vender form

MR RAUL GARDINI, the former Ferruzzi chief and Mr

Jody Vender, majority owner

of Sopaf, the merchant bank,

have joined forces to create

ftaly's third-largest frozen-

foods groop, writes Haig Sim-

The new group, known as

Argel, will comprise Finagel,

the frozen-foods concern con-

trolled by Sopaf's Invest sub-

sidiary, and Sias. a frozen-

foods company owned indi-

rectly by the Grigolini family.

it is also expected to work closely with Vital-Sogeviandes,

a French meat company owned

The new company could

soon expand further with the possible purchase of assets

from the state-owned SME

In a complex deal, Invest and Garma, the fast-growing

Italian food concern controlled

by Mr Gardini and Mr Glulio

Maigara, will take 35 per cent

each in the new group. Sias

will have a 20 per cent stake.

while the remaining 10 per

cent will be sold to unspecified

Institutional Investors. Garma

will bave management control.

(\$197m), Argel will bave

around 15 per cent of the Ital-

ian frozen-foods market, on a

par with the foods business of

SME's Italgel subsidiary.

Argel has made no secret of its

interest in bidding for Italgel's

food interests as part of the

SME privatisation.

With sales of about L300bn

foods and retailing concern.

onian in Milan.

foods group

the state-controlled electronics

Jeumont produces components for use in the nuclear industry and electrical engineering. It employs 2,000 and had sales of FFri.6bn (\$290m) in 1992. The group has been considerably scaled down since the mid-1930s, notably by the sale of its telephone interests to Bosch of Germany.

The Jeumont sale would include the disposal of its 47.5 per cent stake in Jeumont-Schneider Automation, which specialises in the motor sector. This company, with a workforce of 270, bad turnover of FFr230m last year.

The deal would form part of the ongoing divestment programme at Schneider, which is trying to reduce the debt amassed by the acquisition of Square D, the US construction company. Schnelder raised FFribn from disposals last year, leaving the present level of net debt at around FFr19bn.

costs contributed to a sharp fall in Schneider's interim net profits to FFr198m in the first half of 1992, from FFr302m in the same period of 1991. The group bas also been

ing Square D and the problems

of Spie Batignolles, its French

cast net group profits in the

range of L50bn-55bn. Mr Barili said that operating

profits should rise by a further

22 per cent to £248bn this year. Parmalat, around 27 per cent

of whose capital is held abroad,

expects most of its growth to

The group is expanding fast in eastern Europe, South

In 1992, sales in Europe,

excluding Italy, jumped 164 per

In south America - princi-

pally Brazil and Argentina -

sales climbed by 28.7 per cent to L260bn, while US turnover

All three areas are expected

to surge this year, with growth

rates of 263 per cent in Europe

come outside Italy.

America and the US.

cent to L66bn.

reached L13bn.

However, deht financing affected by the cost of integrat-

construction company. CS First Boston forecasts a more moderate fall in Schneider's net profits for the full 1992 year, to FFr272m from FFr275m in 1991.

Framatome has been trying to adjust to the decline in world demand for nuclear reac tors. The decision to sell the non-nuclear part of Jeumont to Alcatel, which owns 44 per cent of Framatome, comes as a number of state-owned companies are reshuffling their interests in the run-up to the March elections, after which the next French government is expected to accelerate the privatisation programme.

Upbeat forecast from Parmalat sees 1993 sales ahead by 50%

By Halo Simonian in Milan

PARMALAT, the Italian dairy foods group, expects sales to surge by about 50 per cent to L2,400bn (\$1.6bn) this year on the back of buoyant internal growth and continuing acquisi-

The company, which bas made a strong recovery since its recapitalisation in 1990, said that turnover in 1992 rose by 21.5 per cent to L1.613bn. Mr Domenico Barili, director

general, said operating earnngs had risen by 17.3 per cent to L203bn In 1991, Parmalat Finanziaria, the listed bolding com-

pany, reported net earnings of L42bn. Full 1992 results will not be released until March. However, on the basis of yes-

and 111 per cent in south

total of FFr7.3bn. The group has already announced plans to step up its cost-cutting programme. It proposes making additional annual savings of FFr500m hy reducing stocks and accelerating its research cycle.

Its performance has since loss of 650 jobs and 20 days of temporary lay-offs this year.

acquisitions that have already been made - such as that of tha Fejertej dairy group in

Sales in the US are forecast

The forecasts are based on

to climb almost 15-fold to

transactions which have not yet been announced, but are virtually sealed, it said, Italian turnover is forecast to rise by 13 per cent. Mr Barili stressed that the

acquisition-led expansion would not involve a big rise in Parmalat's net debts, which stood at L465bn at the end of December 1992.

Interest charges in 1993 were forecast to edge up to L79bn from L71bn in 1992, while interest costs as a proportion of sales would fall to 3.3 per cent to 4.4 per cent in 1992.

Snecma says it made loss last year

SNECMA, France's state- to around FFr23bn in 1992, controlled aero-engine maker, yesterday said it had made a loss for 1992 but did not disclose the size, writes Alice

Rawsthorn in Paris. The company blamed the gloomy economic environment and delays in orders for civil and military aircraft. The group was also in the red in 1991, when it fell into a net loss of FFr67.8m (\$12.6m) from net profits of FFr208m in 1990.

deteriorated with a fall in sales

against FFr23.9bn ln 1991. Snecma also suffered a FFr3bn decline in the value of new orders from the previous year's

These cuts will involve the

 Micbelin, the world's largest tyre manufacturer, reported a 1.2 per cent decline in turnover to FFr66.8bn in 1992, from FFr66bn in 1991. The group said it had been affected by sluggish demand and exchange

rate changes. Michelin, which returned to the black with net profits of FFr820m in the first half of 1992, against a net loss of FFr1.06bn in the same period of 1991, is already implementing a long-term rationalisation

Thomson expands broadcasting interests

By Alice Rawsthorn

THOMSON-CSF, France's state-controlled defence electronics group, is expanding its broadcasting interests by bnying the transmitter, anteons and electron tube businesses owned by ABB Asea Brown Boveri, the Swiss-based power engineering concern.

The deal, for an undisclosed aum, will involve the transfer of companies with combined sales of FFr500m (\$93.28m) in

1991. They include an electrontube production plant in Switzerland and a joint-venture in Poland, as well as an antenna plant in Germany and a broadcast transmitter unit in Switzerland.

Thomson, which was last year clonded by controversy over its attempt to expand its defence interests by taking over the missiles division of the LTV group in the US, has for some time been keen to augment its broadcast activities, where it services both private and public sector televi-

The French group already owns electron-tube factories and plants for broadcast transmitters in France and the US.

Thomson said yesterday that the acquisition of the ABB businesses would enable the group to "maintain critical mass and to continue to increase sales through external growth in a contracting

The ABB deal is the latest in a number of acquisitions for Thomson-CSF,

The French group bas bought a series of businesses over the past three years in order to consolidate its position in specific sectors and to sustain sales growth. Thomson-CSF last year made

For ABB, the disposal is part of an ongoing process of sbedding peripheral interests. The Znrich-based group mustered turnover of \$28bn

last year. It specialises in sectors such as electro-technology, environmental technology and transport systems,

Investor group plans to take stake in Banesto

By Tom Burns and Peter Bruca in Madrid

A GROUP of investors led by JP Morgan, the US investment hank, is to take a stake of between 7 per cent and 10 per cent in Banesto, Spain's thirdlargest bank, as part of a Pta53bn (\$452m) rights issue being prepared by the Spanish

JP Morgan a recently closed \$1bn Corsair banking fund, and Mr Mario Conde, Banesto's chairman, will form the core of the investor group.

The US bank has guaranteed that its group will invest \$200m in the rights issue. Mr Conde's inclusion will raise his personal stake in Ban-

esto from 2 per cent to 4.5 per if the rights issue, one of the largest in Spain, is fully taken up and if Banesto's efforts to sell its affiliate, Banco de Madrid, to Deutsche Bank of Ger-many, are successful, Banesto will have rid itself of a cloud under which it has been forced

The bank would fall comfortably within the Bank of Spain's strict guidelines on the relationship between its capital and its exposure to industry. This is a lifebelt for the

bank," said Mr Juan Bastos,

to operate for nearly three

Mario Conde: to raise personal

stake in Banesto to 4.5%

chief executive of the Madrid securities house, Gestemar. The issue is viewed by some as a bid by Banesto to gain manoeuvrability at a time when it is reducing its profits and seeking to dispose of its industrial assets in a depressed

Under the terms of the threefor-one rights issue, JP Morgan will place sbares with the investor group at Ptal900 per

In all, 35.11m new abares are being offered at a premium of Pta800 per share. in addition to the increased capital, Banesto would gain an

important psychological lift through JP Morgan's endorsement of its business potential.

The Investor group is understood to have committed itself to stay with the bank for at least five years, and JP Morgan is likely to be given a seat on

the Banesto board. JP Morgan issued a highly positive report on the Spanish bank before Christmas.

"Morgan is putting its money where its mouth is," one Madrid analyst commented yester-

Banesto reported a 27 per cent fall in its net profits dur ing 1992 to Pta45.6bn due to a sharp drop in extraordinary income from disposals.

It was nevertheless able to report a 17 per cent increase in the gross operating profit of its banking business, which totalled Pta119.6bn

Having sold its industrial assets in oil refining and cement in the past two years. Banesto is now seeking buyers for its holdings in Acerinox, the major domestic stainless steel producer, and in Union Carburos, Its industrial gases

This strategy, which seeks a more reduced and flexible industrial portfolio, complements Banesto's attempts to improva income from its core financial sector.

Ferruzzi tightens hold on Fondiaria

By Haig Simonian

FERRUZZI, tha Italian industrial group, yesterday tigbtened its management bold over Fondiaria, the Florentine insurer that it jointly controls. At the same, Ferruzzi -which has debts of more than L10,700bn (\$7bn) - responded to speculation that it would dispose of Fondiaria in order to reduce its barrowings by stressing that the company was not for sale.

The announcement followed board meeting at the troubled Insurance company, which saw the resignation of Mr Alfonso Scarpa, Its long-standing managing director, and the appointment of Mr Carlo Sama, a senior Ferruzzi executive and husband of one of the Ferruzzi heiresses, as Fondiaria's new chairman.

Mr Sama replaces Mr Camillo De Benedetti, the Italian financier and cousin of Mr Carlo De Benedetti, who died last month. Mr Camillo De Benedetti sbared control of Fondlaria with Ferruzzi through Gaic, a quoted holding Ferruzzi's financial difficul-

ties and Fondiaria's waning profitability bave led to speculation that part or all of the insurance operation may he sold. However, Mr Sama sald he considered Fondiaria "Ferruzzl's life insurance. and...one doesn't sell life insurance".

Fondiarla, which appointed Mr Arrigo Blanchi di Lavagna as Its new managing director,

gave no indication of how it planned to improve earnings. its financial performance has deteriorated as a result of difficulties in the Italian insurance sector and setbacks in its own

ambitious expansion policy. Fondiaria's biggest problems have arisen in Germany, where it owns 20 per cent of Aacbener und Münchener Beteiligungs. the big insurance group in which Assurances Generales de France is now the major shareholder

Mr Bianchi di Lavagna, an experienced insurance and banking executive, was previously managing director of Unione di Riassicurazione, the reinsurance company owned by leading Italian insurers. No indication was given of Mr Scarpa's future plans.

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February 1993

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A FINANCIAL TIMES PUBLICATION

Baby Bell agrees to buy two cable TV companies

By Martin Dickson in New York

12.

SOUTHWESTERN Bell, ona of the seven Bahy Bell regional telephone companies in the US, has agreed to buy two cable television systems in suburban Washington DC for \$650m - g move which marks a dramatic escalation of the hattle between telephone and cable industries to bring communica-tions into the 21st century

Southwestern Bell is the first US telephone company to try to buy control of a US cable television company and its move could set off a scramble hy other telecommunications

Howaver, the purchase requires regulatory approval from the Justice Department. the Federal Communications Commission and Judge Harold Greene, who has overseen the Bahy Bells since they were split off from American Telephone & Telegraph in a 1984 anti-trust court settlement. Clearing all these fences could take Southwestern Bell a very

long time. The seller of the two systems is Hauser Communications, a

privately owned company. Southwestern Bell provides local telephone services in Texas and other southwestern states. It is barred from owning a cable company there, under

ld on Fondi

1984 cable legislation which bars any local telephone company from owning a cable bustness in its core operating area.

Southwestern Bell already owns a cellular telephone franchise in the Washington area and could eventually try to link this into its cable system. This would mean a competitive challenge to the Baby Bell which provides normal, wired telephone services in this area, Bell Atlantic.

Southwestern Bell already has experience in the cable industry, since it owns and operates a system in Britain and has interests in others in

The US cable and telecom-munications industries are josthing for position as America prepares for an explosion of information dalivered to the home, ranging from movies-ondemand to video telaphone calls

Just a few weeks ago Time-Warner, one of the largest cable companies, announced plans for the most ambitions multi-media home service yet launched on a commercial basis, combining both antertainment and telephony, which

it aims to introduce in Florida. Mr Edward Whitacre, chairman of Southwestern Bell, said the Washington cable purchase was "in the right industry, in the right place at the right

Tengelmann's 53 per cent ownership of the chain means

Chrysler raises \$2bn from

By Karen Zagor

CHRYSLER, the US vehicle than \$2hn after selling 52m shares at \$38% each in the second biggest public common stock issue hy a US company.

On Wall Street, shares in Chrysler firmed \$% to \$39% at midday yesterday.

The company has indicated it will use at least half the funds raised to cut its \$3.9hn nuderfunded pension obliga-

A&P target of NY state pension fund campaign

By Martin Dickson

THE Great Atlantic & Pacific Tea Company, the US supermarket group majority owned hy Germany's Tengelmann retailing group, is to be the first company targeted by New York state's large pension fund in a campaign against poorly performing manage-

New York's move represents a significant advance by the US movement for better corpo rate governance, which seeks to give shareholders a greater say in the affairs of companies with weak results.

Until now, action by institutional investors against such companies has been led most vociferously by the \$71hn Cal-Mornia Public Employee Retirement System. New York is becoming more publicly aggressive as it has developed a computer-hased system to track the financial performance of top US companies.

Mr Edward Regan, Comptroller of New York state, said the \$56bn pension fund would vote against the election of A&P's slate of directors at its annual meeting in July.

It would also seek the sup-

port of other shareholders for an amendment to the compa-ny's hy-laws which would force it to include in its annual proxy or shareholder voting material statements from large shareholders wishing to comment on the group's per-formance. The fund owns 280,000 of A&P's 38.2m shares outstanding.

New York's campaign cannot succeed without the support of the German company, and this seems unlikely. But the state's stance, if followed by other institutions, could send a powerful message of shareholder dissatisfaction.

stock issue

The company exercised a "green shoe" option - or sta-bilisation provision - to hay an additional 6m shares, swelling the offer size by 30 per cent from the original plan of

Fourth-quarter advance at EDS

By Karen Zagor In Naw York

ELECTRONIC Data Systems (EDS), the computer services subsidiary of General Motors, yesterday unveiled a 14 per cent rise in fourth-quarter net income to \$178m from \$155.9m

a year earlier.

Earning's per share were 12 per cent higher at 37 cents against 33 cents, while revetrues were up 2 per cent at \$2.14hm from \$2.09bn. On Wall Street, shares in

General Motors' class E stock, whose value is tied to RDS's performance, rose \$1/4 to \$341/4 at mid-session. The stock climbed above \$35 earlier this

year on rumours that British Telecom might be discussing huying a stake in the husiness. The results met analysts'

expectations. For the whole of 1992, EDS earned \$635.5m, or \$1.33 a share. A year earlier, net income stood at \$547.5m, or \$1.14, including a charge of \$15.5m, or 3 cents for accounting changes. Revenues reached a record \$8.22bn from \$7.1bn in

EDS, which was founded by Mr Ross Perot and acquired by General Motors in 1984, is relying less on business from its GM parent. EDS said revenues from non-GM sources grew to

total revenues • Geoeral Motors Acceptance Corporation (GMac), General Motor's large financial services arm, posted net income of

\$936.1m for 1992, including

accounting standard SFAS Number 106. In 1991, the company reported net income of \$1.37bn, including \$331.5m gains from the adoption of SFAS Number 109 and after tax charges of \$170.9m for a special wholesale

loss provision. Stripping out one-time items, Mr Robert O'Conneil, GMac's chairman, said 1992 net income

\$1.21bn in 1991 on a comparable basis. "Importantly, GMac's 1992 performance was achieved in a year of challenging events and significant change for the GMac worldwide organisation," he said.

charges on the adoption of new Income from GMac's financing operations was \$1,03bn down slightly from the \$1.04bn earned a year earlier. During the year GMac financed or leased 33 per cent of new GM vehicles sold in the US against 35 per cent in 1991. The num-her of new cars and trucks financed or leased by GMac slipped to 1.6m from 1.7m last year in the US.

Air Canada forecasts deficit of C\$200m

By Robert Gibbens in Montreal

GLOBAL recession, domestic overcapacity and beavy Canadian fuel taxes will bring a C\$200m (US\$158.7m) loss for Air Canada this year, Mr Hollis Harris, chairman, said yester-

The country's biggest airline. locked in a competitive strug-gle with rival Canadian Airlines and the small Nationair. will also reveal next week that 1992 will show a record deficit. In the first nine months a net loss of C\$307m was incurred after special charges, following losses of C\$218m for 1991.

Mr Harris told the Canadian Commons transportation committee his airline would break even on an operating basis in 1993 but this was before financial and special charges. It should return to overall profitability in 1994 with the full impact of manpower cuts and

cost reduction programmes. He said Air Canada had sufficlent cash to complete its hid for 25 per cent of Continental Airlines of the US and he was confident the alliance would be approved by the US authorities. He said forming one Canadian carrier was the solution to the Canadian airline industry's woes and be beld out the possi-hility again of a merger with PWA, parent of Canadian Air-

US insurers report heavy losses

By Patrick Harverson In New York

AETNA Life & Casualty and Travelers, two of the largest composite insurers in the US, yestardey reported heavy fourth-quarter losses, following a variety of special charges hoth companiea had

announced last week. Travelers incurred the bigger loss for the final quarter of 1992 - \$569m, compared with a profit of \$69m a year earlier in the wake of several charges, including: \$485m to cover a \$735m addition to property and mortgage loan reserves; \$59m for costs linked to Hurricane Andrew; and \$79m related to litigation and assesments for industry guarantee funds. The large quarterly loss

meant that Travelers reported a deficit of \$658m for all of 1992, compared with a profit of \$318m in 1991. Apart from the charges out-lined in the fourth quarter results, the insurer had taken

other charges eerlier in the year to cover the cost of meeting Hurricane Andrew claims and to pay for a corporate restructuring. Separately, Travelers last year booked a \$170m one-off gain related to the adoption of two new

accounting standards.

At Aetna, the fourth-quarter loss totalled \$192m after the company took a \$180m charge to boost reserves for ashestos and environmental claims. In the same quarter last year, Aetna recorded a net profit of \$93m. For all of 1992, the insurer reported net income of only \$56m, down sharply from the \$505m profit made in 1991. Aside from the charges, Aetna said its fourth quarter and full year results ware affected hy high catastrophe losses, poor workers compensation results, depressed commercial property values, and cootinued soft pricing conditions in its main domestic insurance markets.

The one bright spot was the company's health husiness, although even there Aetna's 1992 earnings were well down on the previous year.

Because the special charges and quarterly losses had been well flagged in advance, the stock markets displayed little reaction to the news from Travelers and Aetna.

Sears. Roebuck to cut dividend for final period

SEARS, Roebuck, the heavily loss-making US retailer, has cut its dividend for the first time in 60 years, with a 10 cents a share cut in the fourthquarter payout to 40 cents. Reuter reports from Chicago. Oo Tuesday the company reported a loss of \$10.72 a share

for 1992, down from a profit of \$3.71 the year before. Analysts said the widely anticipated cut would save about \$140m a year. Sears said the move reflected the strategic repositioning of the company, including the spin-off of Dean Witter, its securities brokerage and investment banking unit and Discover, its credit card husiness, expected to take place in

the middle of 1993.

U.S. \$1,661,800,000



Electricité de France

Fixed Spread Eurobond Repurchase

Electricité de France (E.D.F.), Service national ("E.D.F.") has proposed to repurchase any and all of the outstanding Bonds and Notes listed below (the "Bonds") and for this purpose has appointed Goldman Sachs International Limited (and its affiliates) as its exclusive Dealer Manager. On behalf of E.D.F., the Dealer Manager will enter into repurchase transactions from time to time subject to and in accordance with the terms of the Offer Document. The repurchases will be effected at a price to be determined from time to time. The price at any time for the outstanding Bonds of each issue will be the price resulting in a yield for the relevant Bonds equal to the sum of (i) the yield to maturity of the benchmark U.S. Treasury Note designated below in relation to such Bonds, as calculated by Goldman Sachs International Limited in accordance with standard market practice on the basis of the bid price for such benchmark U.S. Treasury Note at the time the holder agrees to tender such Bonds, as displayed on the Cantor Fitzgerald Quotation Service for U.S. Government Securities (Telerate - page 500) and (ii) the fixed spread for such Bonds designated below (such price being rounded to the nearest cent per U.S. \$1,000 principal amount of Bonds). In addition, E.D.F. will pay accrued interest from, and including, the date of the last regular payment of annual interest to, but excluding, the settlement date for the repurchase of the relevant Bonds, which shall be the tenth London business day following the date on which the relevant Bondholder tenders such Bonds. The terms of the repurchase are more fully described in the Offer Document.

Issue		Issuer	Amount Outstanding	Treasury Note	(Basis Points)
9½%	Guaranteed Bonds due September 29, 1995	E.D.F.	U.S. \$237,000,000	5%% Note due 11/15/95	+10
10%%	Series B Bonds due December 20, 1995	E.D.F.	U.S.\$ 99,800,000	5%% Note due 11/15/95	+15
9%	Guaranteed Bonds due March 14, 1998	E.D.F.	U.S. \$200,000,000	5%% Note due 01/31/98	+15
9%%	Guaranteed Bonds due July 26, 1998	E.D.F.	U.S. \$150,000,000	5%% Note due 01/31/98	+23
9½%	Guaranteed Bonds due March 8, 1999	E.D.F.	U.S. \$600,000,000	6%% Note due 01/15/00	+4
7%%	Guaranteed Bonds due May 7, 2006	E.D.F.	U.S. \$250,000,000	6%% Note due 08/15/02	+60
11%%	Notes due February 8,	C.N.E.	U.S. \$125,000,000	4¼% Note due 01/31/95	+12

(Note: Caisse Nationala da l'Energie ("C.N.E.") was dissolved on January 1, 1993 and E.D.F. has assumed all rights and obligationa of C.N.E. in respect of the 11%% Notes due February 8, 1995 pursuant to Law no. 92-1478 of December 31, 1992 of the Republic of France.)

> Information relating to the repurchase may be obtained from Telerate - page 17520, Reuters - page GSZG or from the Dealer Manager.

THE TENDER AND REPURCHASE PROGRAMME EXPIRES AT 5.00 P.M. (LONDON TIME) FEBRUARY 19, 1993, UNLESS EXTENDED.

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Molson held back by weak beer market

By Bernard Simon in Toronto

MOLSON Companies, the diversified Canadian brewer, suffered a 24 per cent setback in its latest quarterly earnings, largely as a result of a weak beer market, retaliatory duties on beer imposed by the US and the costs of converting to a

new heer bottle. Net earnings fell to C\$25.3m (US\$20m), or 42 cents a share, in the three months to December 31, the third quarter of the company's liscal year from C\$33.4m, or 59 cents a share, a year earlier.

Revenues rose to C3769.8m from C\$723.3m. The negative factors were partially offset hy C\$4.9m in fees received from the North American ice hockey league, one of whose teams is owned by Molson.

C\$100.1m, or C\$1.68 a share, from CSA 110.4m, or CS1.97 a share. The company said yesterday

that the decline in earnings for the year as a whole was likely to be 10 to 12 per cent.

interests include cleaning services and a retail hardware chain in Canada, said that its husinesses are still being hurt by the recession. Operating earnings of

Molson Breweries, a joint venture with Foster's Brewing of Australia, fell to C\$135.3m from C\$143m. Total beer sales in Canada

dipped by 3.6 per cent in the nine months to last December and Molson's market share slipped to 50.2 per cent from 51.9 per cent a year Its share railied to 50.4 per

Molson said its alliance with Miller Brewing of the US, announced last month, is expected to he finalised in early April.

Nine-month earnings fell to It will also gain marketing and distribution rights for

earlier. cent in the latest quarter.

Under the deal, Miller will acquire 20 per cent of Molson Breweries from the existing

Molson and Foster's brands in

Molson expects to receive about C\$180m for its part of the

Molson, whose non-hrewing THE SWISS KNOW

other investors money, and investors around the world recognise the benefit of owning investments denominated in Swiss Francs, Between May and December 1992, the Swiss Franc appreciated by 24% against Sterling, 9% against the USS, and 4% against the D-mark.

Falling interest rates provide excellent opportunities for Investment in bonds, and many Investors select bonds denominated in Swiss Francs, a hard currency which has historically enjoyed a low exposure to political and economic risk. Now anyone can invest in first class Swiss Franc denominated bonds - by purchasing units in the Swiss investment scheme of B.I.A. Bond Investments AG, Switzerland. "B.I.A." is a well known Swiss investment company, and its scheme is also recognised by

the UK Securities and Investment Board, listed on the Luxembourg Stock Exchange, and nuthorised in Hong Kong. B.I.A.'s Swiss Franc bond scheme is similar to a unit trust, and investors benefit from any increase in B.LA.'s Swiss Franc denominated unit prices and from any currency gain that may arise.

B.I.A.'s investment advisers are Pictet & Cic, Geneva, one of Switzerland's largest and oldest private banks. The portfolio of first class Swiss Franc bonds and deposits is conservatively managed to maximise capital growth, and the income is reinvested. The Swiss Franc denominated price of B.LA.'s anonymous "bearer" certificates is quoted daily in the Financial Times. Each unit now costs about SFr.900 - approximately £430.

Pierse note that the price of units can go down as well at up, and investors that not get back the automa that they invest



David Burren, Marketing Director, International Investment Consultants Ltd.,

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INTERNATIONAL COMPANIES AND FINANCE

Metallgesellschaft | French insurers' profits plunge under pressure plans DM1bn in non-core disposals

By David Watter In Frankfurt

METALLGESELLSCHAFT, the Frankfurt mining and industrial conglomerate which has in recent years been one of Germaoy's most acquisitive large-scale disposals.

Mr Heinz Schimmelhusch. chief executive, told analysts yesterday the group plans to make disposals to raise around DMIhn (\$606m) over the next

At the same time, capital investment is to be scaled back by 40 per cent to DM1bn for the

He gave no indication of which companies were for sale, apart from saying they would be non-core businesses and would not include any famous names. This rules out Buderus

- the heating products company which now has a separate listing on the German stockmarket - or any of the other industrial companies acquired last year from Stora of Sweden in a DM1.45bn acquisition.

A list of potential sales targets has been drawn up, but a final decision on which of the group's 258 subsidiarles are to be sold has yet to be taken. Mr Schimmelhusch indicated that the group would be reduc-

ing the workforce - which rose through acquisitions from 38,173 to 62,547 over 1991-92 during the the course of the year. But he gave no details of how many jobs would be cut and in which divisions,

Axa,

US associate

Later that day, Union des

Assurances de Paris (UAP),

revealed its 1992 net profits had plummeted to about

FFr1.15hn, from FFr3.8hn in

1991. Analysts are now steeled

for more gloomy figures when

Aasurances Générales de

France (AGF) and the GAN

Group publish their 1992

French insurers are operat-

ing in intensely competitive

conditions as the economic

slowdown is making it more

difficult for them to pump up

profits with asset sales as they

did in 1991, when all the big

four" would otherwise have

These problems could

scarcely have come at a worse time. France's insurance indus-

try has hit the doldrums just

as the three state-controlled

companies - UAP, AGF and

GAN - are preparing to

he privatised by a future

French government after

been in the red.

France's higgest single insurer

a reaction to difficult market conditions for the Metallgesellschaft group. In the year to the end of September, group pre-tax profits fell 23 per cent to DM245m. This is the second successive year that profits have declined sharply against a background of falling metal prices and difficulties in the car components sector, which have meant that the group's Kolbenschmidt subsidiary lost DM88.6m last year before tax. Group sales last year fell 21 per

cent to DM25.6bn.
Analysts estimate that the group's net deht stands at DM2.1bn, compared to equity of DM3.7bn. The group's mar-ket capitalisation is DM2.9hn.

Mr Schimmelbusch said that trading in the first four months of the current year was at the same, unsatisfactory level as in the previous year. The central problem was low base metal prices - afflicted by cheap imports from eastern Europe.

· Kaufhof, the large German retail group, yesterday reported that sales rose by 13 per cent in 1992 to DM20.3bn, up from DM18bn a year earlier. The company said the sales growth reflected its strategy of

expanding into high-growth he-retail markets, a segment of the bueiness which accounted for 27 per cent of group sales. up from 23 per cent in the previous year. Department store sales accounted for 47 per cent of the total, down from 53 per cent.



Clande Béhéar: Optimism buckled in face of grim figures

next month's elections. Even the most optimistic French insurers are resigned to another set of lack-lustre results this year. The economy is unlikely to show any signs of recovery at least until the second half, assuming that the franc stabilises and interest rates come down.

In the meantime, the industry faces the same problems that beset it last year. Competition remains intense both in terms of the number of players in the market and pressure on tariffs. The economic squeeze has produced a predictable increase in the number of claims, including auspected false claims, and continues to depress the value of the insurers' industrial portfo-

Moreover, the property mar-

ket shows no sign of recovery. This affects the insurers in two ways. First, they face another year of high provisions. Second, their asset sales will again be too low to compensate for poor operating profits and hefty provisions.

The Paris stock market is rife with rumours about the insurers selling properties to each other, allegedly at inflated prices.

In the short term, this cushions them against the slump and helps prop up the market. But, in the long term, they will have to carry those properties

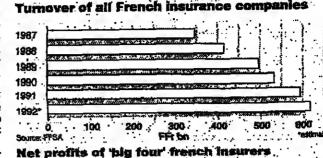
The industry's future is more reassuring. The FFr240hn life market should be boosted by the forthcoming reform of French pensions, which is expected to supplement the state system with private pen-

Mesnwhile, competition appears to be easing in the FFr200m non-life sector as the growth of the mutuelles, which sell insurance to specialist groups of employees, peaks There are also signs of tariffs rising in certain sectors, notably motor insurance.

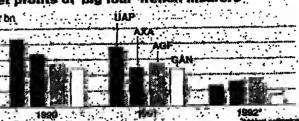
The general economic recovery should alleviate the pressure on the stock market and on residential property although it is expected to take at least three years for the over-saturated commercial property market to recover. French insurers should also start to benefit from their international expansion in the

Axa is expected to receive more substantial contributions from Equitable Life in the US.

Turnover of all French insurance companies



UAP:



AGF now owns a substantial insurer, after a complex trans-

action last year. UAP has invested in Germany via its holding in Nordstern, although it is smarting from its failure to buy a stake in Colonia from Victoire, the insurance eubsidiary of the

Suez industrial group. These developments should ensure that the large French insurers etabilise profits this year and secure moderate growth next year. 'We can't hope for much from any of the big French insurers in 1993," said Mr Michael Huttner, Euro pean insurance analyst at BNP Securities in London, "But we can expect to see a gradual recovery from 1994

The critical question is

whether this improvement will come in time to enable the next French government to sell all, or part, of its shares in UAP, AGF and GAN.

All three are eager to enter the private sector, where they would be free to raise capital from the markets and would not he barred, as state-controlled companies, from investing in the US. The centre-right alliance, favoured to win next month's poll, plane to privatise them as quickly as

The consensus among analysts is that all three companies are saleable despite their present problems. "The market loves a recovery story," said one. "The only problem for the French government is judging how the 1992 and 1993 figures will affect the price."

Trustco, through CT Financial

Services, and the US subsidiary is First Federal Savings and Loan, based in Rochester

and acquired by CT in 1991. Imasco would not reveal the

price paid for both deals hut it

said First Federal is not acquir-

The deals are part of Imas-co's financial services expan-

· Abitibi Price, the big news-

print producer now owned by

Developments, is raising C\$150m (US\$119m) with an issue of convertible dehen-

tures. The proceeds will be

ing any loan portfolios.

sion in the US north-east.

Jaguar, which was takan over by Ford at the end of 1989, said that its loss last year was little changed under US accounting rules at \$394.9m compared with a loss of \$402.2m in 1991. Under UK accounting rules

Record loss

of \$1.3bn

at Ford of

Motor Industry Correspondent

FORD'S European antomotive

operations made a record loss

last year of \$1.3hn compared

with a loss of \$1.079bn in 1991.

The loss was largely incurred by Ford's operations

in Britain, including Jaguar.

The loss in Europe included a \$419m one-off charge for

restructuring, while adverse currency fluctuations added

exchange rate losses of more

Ford of Europe annonnced

late last year that it was plan-

ning to cut more than 10,000 jobs hy the end of 1993.

The workforce of its Euro-

pean antomotive operations.

excluding Jaguar, had already

been cut by 19 per cent from 115,000 in 1990 to 93,000 late

last year and the total is set to

fall to 83,000 by the end of

the UK car maker.

han \$200

Europe

By Kevin Done.

the loss was cut to £189.5m (\$286m) from £226.2m a year earlier. The Jaguar workforce has also been sharply reduced to only 6,481 at the end of 1993 from 7,520 a year earlier and 11,661 at the end of 1990.

Jaguar's retail sales world-wide fell last year by 12.4 per cent to 22,478 - the lowest level since 1982, while production dropped last year by 10.5 per cent to 20,593 - the lowest level since 1981. The UK car maker is expect-

Mestille.

ends die

ing some recovery in its fortunes this year, however, with a forecast increase in sales of 25 per cent worldwide led by stronger demand in the US. Jaguar sales in January were 25 per cent higher than a

year ago helped hy a 30 per cent rise in its sales in the US, its most important market. Mr David McCammon, Ford vice-president for finance in the US, said that most of the

group's European antomotive losses stemmed from Ford of Britain and from Jaguar. Ford, the leader of the UK new car market, has suffered heavily during the recession and its UK sales fell again last

year hy 8.4 per cent, depressing its UK market share to only 22.2 per cent from 24.2 per cent a year carlier. The loss of \$1.3bn incurred iast year by Ford's European antomotive operations, including Jaguar, followed a net loss of \$1.079bn in 1991, and net

profits of \$145m in 1990 and \$1.19bn in 1989. The losses in Europe more than accounted for Ford's total antomotive losses last year outside the US of \$1.1bn.

Ford's European car production fell hy 6.9 per cent last year to 1,459,792, although its ontput of light commercial vehicles rose hy 9.5 per cent to 226.547 helped by the launch of the Fiesta Courier van The Ford group has fallen to fifth place in the west Euro-

pendent of other institutions. pean new car market.

Turnover up but All of these securities having been sold, this announcement appears as a matter of record only.

5,060,000 Shares



Seagull Energy Corporation

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800,000 Shares

The above shares were offered outside the United States and Cenada by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation Credit Suisse First Boston Limited

Lehman Brothers International

Smith Barney, Harris Upham & Co. Howard, Weil, Labouisse, Friedrichs

ABN AMRO Bank N.V. Credit Lyonnais Securities Banque Indosuez Daiwa Europe Limited James Capel & Co. Limited N M Rothschild & Sons Limited

Société Générale

Smith New Court Securities Limited Swiss Bank Corporation

4,260,000 Shares

The above shares were offered in the United States and Canada by the undersigned.

Donaldson, Lufkin & Jenrette Securities Corporation The First Boston Corporation

Lehman Brothers

Smith Barney, Harris Upham & Co. Howard, Weil, Labouisse, Friedrichs

Bear, Stearns & Co. Inc. Kidder, Peabody & Co. Morgan Stanley & Co.

Alex. Brown & Sons Merrill Lynch & Co. Oppenheimer & Co., Inc.

Salomon Brothers Inc

Goldman, Sachs & Co.

Wertheim Schroder & Co. Advest, Inc. Arnhold and S. Bleichroeder, Inc.

Doft & Co., Inc. Janney Montgomery Scott Inc.

Rauscher Pierce Refsnes, Inc.

Southcoast Capital Corporation

Dominick & Dominick

Keane Securities Co., Inc.

Paribas Capital Markets Group

First Southwest Company Kemper Securities, Inc.

J.P. Morgan Securities Inc. PaineWebber Incorporated S.G.Warburg Securities Dean Witter Reynolds Inc.

Robert W. Baird & Co. Interstate/Johnson Lane C.J. Lawrence Inc.

Neuberger & Berman Legg Mason Wood Walker The Principal/Eppler, Guerin & Turner, Inc.

Petrie Parkman & Co. Ragen MacKenzie

Raymond James & Associates, Inc. Johnston, Lemon & Co. Mabon Securities Corp.

Stephens Inc. Josephthal Lyon & Ross

RAS Securities Corp. Williams Mackay Jordan & Co., Inc.

Sunbop earnings fall to R136.5m By Phillip Gawith

SUN International Bophnthatswana (Snnbop), the Sooth African gaming and leisnre gronp, yesterday announced a 3 per cent fall in taxable profits to R136.5m (\$43.7m) in the six months to December, down from R141.4m a year earlier.

This was in spite of a 15 per cent increase in turnover by Sunbop, whose hotels are all located in the Bophnthatfrom R483.4m.

Mr Sol Kerzner, chairman, attributed the revenue performance, achieved in the face of an "extremely poor economic environment", to having the benefit of its new Caronse resort for the full six months. The opening of the R830m Lost City project in December, amid saturation media coverage, also boosted turnover.

Average occupancies at the company's hotels, bowever, dropped to 72 per cent from 78 per cent the previous year, and this put pressure on margins, leading to the lower profits.

Earnings per share dropped to 93 cents per share, from 96 cents a year earlier, because of an increased number of shares in issue. The interim dividend was maintained at 64 cents a

Imasco extends its penetration of US est trust company, Canada

By Robert Gibbens

IMASCO'S financial services unit, through a US subsidiary, is huying US\$600m in deposits and 18 branches in the Rochester and Buffalo areas from two New York-based savings and loan companies. The acquisitions, from

Anchor Savings Bank and Dime Savings Bank, will raise the indirect Imasco subsidiary's network in the northeastern US to 86 hranches and an asset base of well over will rise to 6 per cent.

US\$5bn. Market share in the expanding Buffalo, NY, market Imasco owns Canada's larg-

42% to buck sector trend

used to reduce long-term deht. Nouvelles Frontières surges

By Alice Rawsthorn in Parts

NOUVELLES Frontières, the French travel company, bucked the slump in the hollday industry by increasing its net profits 42 per cent to FFr161m (\$30m) in its last full financial year.

The group is number two in the French holiday market after Club Med, having raised turnover by 12 per cent to just over FFrsbn in the year to September 30, from FFr4.46bn. Mr Jacques Maillot, chairman, said that sales had grown faster in the first four months of the current year.

Mr Maillot said the company had managed to overcome the financial pressures of the economic slowdown by keeping tight control of its interests. The company, he said, planned to continue to pursue its policy of remaining inde-

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / February, 1993



\$300,000,000

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7%% Subordinated Notes Due 2023

Salomon Brothers Inc.

Merrill Lynch & Co.

J.P. Morgan Securities Inc.

Morgan Stanley & Co.

By Charles Leadbeater in Tokyn

Record log ,

TOYOTA, Japan's leading vehicle maoufacturer, yesterday reported a 22.3 per cent drop m pre-tax profits for the six months ended December, partly because of lower interest income and exchange rate

Toyota's sales were Y4,564bn (\$37bn), up just 2.9 per cent on the comparable six months of 1991. Pre-tax profits were Y46.5hn lower at Y162bn, operating profit was 24.4 per cent lower at Y58.2hn and net income was 30 per cent down at Y72.3hn. It was the third successive year of declining

The deterioration in Toyota's finances has prompted a sharp rundown in cash reserves. These have fallen from Y1,482bn at the end of July. 1992 to Y943hn at the end of December. The company also sold about 37.5 per cent of its stock of marketable securities, which stood at Y104hn In

The fall seems likely to continue as about Y190hn of equity warrants falls due for redemption this June. The company, under the stewardship of chairman Mr Shoichiro Toyoda, said it was exploring a variety of ways to finance the redemption of the warrants.

Toyota hlamed most of the 24 per cent fall in operating



Shoichiro Toyoda: rundown in cash reserves to continue

exchange movements worth Y30hn, rising personnel costs worth Y20bn and Y30bn due to the fall in sales. Interest and dividend income fell by Y34bn to Y89hn, largely because of the fall in Japanese Interest rates and the sale of securities. Although sales were up by 2.9 per cent, the cost of sales

rose hy 4.2 per cent to Y4.172bn. Overseas operations are playing an increasingly important role in bolstering perfor-mance, Although vehicle sales were virtually flat at Y3,004hn, this was largely hecause a Y75hn fall in domestic sales to Y1,698bn was offset by a Y78bn

FAI said the result reflected a reduction in underwriting loss from A\$49.8m to A\$21.8m. It forecast a small loss for the

Standard Bank to lift payout after 22% rise

By Philip Gawith in Johannesburg

STANDARD Bank, one of Sonth Africa's two largest hanking groops, yesterday annonnced a 22 per cent increase in attributable income to R625m (\$200m) for 1992 and said it plans to pay a higher dividend.

After taking account of a rights iasue, scrip dividends and an acquisition issue, earnings per share were 17 per cent np at 593 cents. The overall dividend is going up by 17 per cent to 187 cents per share. The hank said favourable interest margins and asset growth were the main reasons

Net interest income rose by 27 per cent to R2.58bn. This reflected improved margins the high level of liquidity in the system caused the cost of funds to drop - and a 21.4 per cent Increase in loans. advances and acceptances.

The increased level of advances was the main contributor to the 26.8 per cent increase in assets, to R63.9bu. Mr Eddie Theron, managing director, said asset growth was strongest in home ioans, which increased by 49 per cent

Standard Bank of South Africa lifted its net income by 31 per cent to R506m and Standard Merchant Bank increased profit by 21 per cent to R43m. Bad debts remained at the high level of 1991 and operating costs rose by 29 per cent owing to spending on new foreign operations, staff training, product development and elec-

tronic systems. Mr Theron said favourable interest margins in 1993 would allow increased earnings, but at a lower rate than in 1992. · Mr Bob Aldworth, the execntive director of ABSA who was sacked earlier this week, has admitted in an affidavit that he owes the banking group B414,000.

Mr Aldworth had hoped ABSA share options he holds would rise in value sufficiently to allow him to repay the debt. This has not taken

Chinese candidates line up for HK listing

Simon Davies looks at the flotations which will add a new dimension to the colony

his year some of China's largest state-run industries will be listed on the Hong Kong stock exchange, adding a new dimension to a stock market that has long been driven by local polit-

ical and property influences.
The potential for Hong Kong is enormous, and the pull for advisers has been similarly compelling. More than 40 merchant banks have lined up to fight for the mandate for the flotation of just one of the companies, Qingdao Brewery. which produces one of China'a best-known exports, Tsingtao

Shanghai Petrochemical, which is the largest and proba-hly the first of the flotations, is set to raise as much as HK\$3hn (US\$388m). In total, analysts helieve the nine short-listed companies will raise more than

HK\$7hn.
If successful, there la an enormous supply of further candidates from among the country's financially stretched state industries, which are keen to tap international capital flows by developing a strong Chinese element to what will in five years become a Chinese-owned stock market.

before these Chinese flotations can be smoothly launched in Hong Kong. Not least of these is a need for re-education of the companies' management. Only recently, Chinese company directors would have been jailed for releasing commercial information to foreign-

ers. Now they are going to be

However, there are sizeable

obstacles to he overcome

obliged to provide even more detailed disclosure than under the old state system. Management freedom comes

at a high price. It will have to cope with the dislocation of facing up to market forces and baving responsibility to a new body of sbareholders. This compares with the undemanding quota systems that they Potential investors will also

the role of global co-ordinator for the flotation, but despite having a Jnne target for the public offer, there is no decision yet as to what can actually be listed. It is clear that the corporation's social responsihilities will be unacceptable

to a new shareholder base, but an alternative structure has yet to be conceived. Senior representatives of the Hong Kong stock exchange

CHINESE CORPORATIONS TO BE LISTED Shanghai Petrochemical Yizhang Joint Corporalion of Chemical Fibre

Kunming Machine Tool Guangzhou Shipyard Olngdao Brewery Maanshan Iron and Steel Dongfang Electric Tianiin Bohai Chemical

need educating, as these companies represent an entirely new business concept. "These corporations are tike industrial revolution style company towns, where everyone owes their soul to the company atore," said one merchant the listings.
One international corporate

Shanghai Petrochemical. China's sixth largest petrochemical company, is an entire everything from the law courts to the fire service, and employs an estimated 63,000 people. The general manager is like a mayor, and drives around "his" city with a red flashing light on the top of his car. Merrill Lynch was awarded

met China's Securitles Committee - the new regulatory hody for China's capital markets - in Nanjing this week to wrestle with some of the technical problems presented by

lawyer pointed out that a Chinese enterprise has to complete a share offering in order to become a separate legal entity. As a result, some issues of B shares - shares available only to foreign investors - on the Chinese stock markets have been for companies that did not legally exist during the subscription period. The Hong Kong stock exchange will want

The Chinese government wants all nine industrial companies to be listed by the end of the year, and there is already rumoured to be a second hatch of 12 companies ready for flotation in early

"Wheo the Chinese top leaders want to do something, they put a lot of effort into it and they get it done very quickly," said Mr Tommy Wong, of Kwan Wong Tan & Fong, a local accountancy firm which is handling two of the Chinese

Accountants agree that the process is aided by the level of detail in state company records. As Mr Wong says: "They shoot people for economic crimes.

However, translating Chinese accounting systems into a set of internationally accepted with major differences in the treatment of equity accounting, foreign exchange translation, and stock-taking. The revised accounts will hear little resemblance to the current profit claims of the companies.

Dut an unprecedented number of merchant hanks are prepared to take up the challenge. Corporate financiers have been cutting documentation fees to the bone in order to fight for mandates, which are due to he announced before the end of February. Mr Ambrose Lam, managing

director of corporate finance at Standard Chartered Asia said: "It is recognised not to be very

profitable, but it is worth it to get the recognition, and hopefully to have a hetter chance with the next batch of issues.'

The Securities Committee is taking an active role through out. The committee is led by Zhu Rongit - a member of the Communist party's most powerful decision-making body which emphasises the importance that China is attaching to this programme.

The committee has decided to focus on Chinese incorporated listings in Hong Kong. rather than allowing compa-nies to incorporate and he floated further afield - such as the New York listing of Brilliance Automotive.

Beijing must be heartcned by the fact that the HK\$-103m offer for Hong Kong registered Den-way Investments, the Chinese car manufacturer, is under stood to have attracted more than HK\$200hn in subscription

The response suggests a quite extraordinary level of demand for China shares in Hong Kong. The use of leading international houses such as Merrill's will enable future issues to tap an even broader

The managing director of a iocal corporate finance house said: "Knowing the pent-up demand by Chinese companies for capital, it would be incon-ceivable that they would float less than 20 state companies per year, after the first hatch. Therefore they understand the importance of getting it right

Westpac stake disposal ends cross-shareholdings

By Bruce Jacques In Sydney

WESTPAC Banking Corporation yesterday pulled out of the last of its significant cross-shareholdings with Australian hanking colleagues when it sold a 5.6 per cent stake in Perth-based Challenge Bank for about A\$15m

This followed Monday's sale of Westpac's shareholdings in both the ANZ Banking Group full year to June, 1993.

and the Bank of Melbourne for a total of about A\$260m. The sales are part of an asset disposal programme.

• PAI Insurances, the financial services group, cot Its after-tax loss from A\$17.2m to A\$6.5m in the December half on a marginal revenue rise from A\$513.5m to A\$521.8m.

Commonwealth Bank climbs 5% on lower write-offs

By Bruce Jacques

COMMONWEALTH Bank of Australia yesterday reported a 5 per cent improvement in operating profits for the six months ended December. confirming that it has managed to steer clear of the worst of the problems besetting some of Australia's big banks.

The bank, 70 per cent owned by the Federal government, is holding the Interim dividend

from A\$225.1m to A\$236.4m 1 per cent to A\$3.69hn. A fur-(US\$158.2m) for the six ther less serious problem loan months.

In contrast to rivals like Westpac and the ANZ Bank, Commonwealth got through the six months with reduced bad debt write-offs, no property provisions and slightly iower problem loans on its The bank reduced its charge

against profit for bad and. doubtful debts by 14.5 per cent steady at 20 cents a share after to A\$346.5m while gross non-an increase in operating profit accrual loans carried eased by

ther less serious problem loan category, reflecting loans in arrears, fell from A\$1,23bn to A\$974.7m.

Mr David Murray, managing director, said valuations of the bank's commercial property portfolio, covering exposures of about A\$7.2hn, indicated that no further provisioning was

.The performance allowed the hank to improve its risk weighted capital adequacy ratio from 10.02 to 10.66 per

cent, comfortably exceeding the Reserve Bank's minimum 8 per cent requirement. The state Bank of Victoria is completed," he said. "The hanking industry is likely to experience per cent requirement. The bank's total assets eased from A\$88.9bn to A\$88.3bn.

Mr Murray said a key reason for the bank's improved earnings performance was a a 3.6 per cent fall to A\$1.47bn in operating expenses. The bank reduced its staff hy just over 5,000 to 44,174 in the

"Further falls in operating expenses will be achieved as the integration of the former continuing low demand for credit which, combined with the iow household savings ratio, will maintain pressure on margins.

By far the higgest contribu-

tion to the bank's profit came from banking operations, up 1 per cent to A\$212.7m. Commonwealth's finance arm. CBFC, remained profitable, more than doubling its contribution to

FINANCIAL TIMES CONFERENCES

THE FOOD AND DRINK **INDUSTRY**

London, 23 & 24 March 1993

The food and drink industries worldwide are being radically reshaped as manufacturers expand internationally in search of faster growth and improved scale. The conference brings together an authoritative panel of speakers to review the opportunities and challenges in a changing environment.

Among the issues to be addressed:

- Building a global branded business
- Competing with the global giants The outlook for the specialist manufacturer
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Mr Todd Martin Kraft General Foods Europe

Mr H Colin Overbury OBE Commission of the European Communities

Interbrew SA Mr M Logan Taylor

Mr Johnny Thijs

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Mr E Hugh R Thomas

Dalgety PLC

Argyll Group PLC Mr Christopher Haskins

Northern Foods plc

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THE FOOD AND DRINK INDUSTRY CONFERENCE

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Matica of Adjustment of ation Price To the Holders o Warrants to Subscribe for Shares of Common Stock of

ed in conjunction with an issu

4 1/2 per cent. Bonds due 1996)

Pursuant to Clause 3(iv) and (vi) of the Instrument dated 27th June, 1991 under which the above described Warrants (the "Warrants") were issued, no lice is hereby given as follows:

In accordance with the Resolutions that the Board of Directors of the Company adopted at meetings held on 18th January, 25th Jonuary and 26th January, 1993, the Company lasued Yen 20,000,000,000 2-5 per cent. convertible unsecured bonds due 2002. Yen 20,000,000,000 24 per cent. convertible unsecured bonds due 2000, U.S., \$200,000,000 2 per cent. notes due 1997 with warrants and 5wiss Franc 200,000,000 2 per cent. notes due 1997 with warrants on 3ct February, 1993 with the initiat conversion or subscription price per share of Yen 999, In each case, being less than the current market price of Yen 1,07530 in respect of the convertible bonds and Yen 1,084,00 in respect of the notes with warrants per shure applicable as at that date.

As a result of such lesuance, the subscription price at which shares are issuable upon exercise of the Warrants will be adjusted in accordance with Clause 38th and 1vi) of the Instrument from Yen 1,389,40 to Yen 1,343,00 with effect force 3 et 6 february, 1963 Abrant 1606, 1000 and 1000 and

Sekisai House, Ltd. (the "Company")

by the Company of U.S. \$200,000,090 4 1/2 per cost. Bonds due 1996)

By: The Bank of Tokyo Trest Compa Dated: February 11, 1993

CAJA NACIONAL DE **AHORRO Y SEGURO**

International Public Tender

SALE OF A CONTROLLING SHAREHOLDING IN THE LEADING INSURANCE COMPANY AND A SAVINGS BANK IN ARGENTINA

CAJA NACIONAL DE AHORRO Y SEGURO ("Caja") pursuant to the Terms and Conditions established by

60 per cent controlling shareholding in a new holding company, CAJA DE AHORRO Y SEGURO, S.A., to he incorporated to operate the insorance and hanking busioess of the Caja Nacional de Ahorro y Seguro.

SALE OF THE TERMS AND CONDITIONS:

Location:

From 6 February, between 10 am and 3 pm Caja's head office - Hipólito Yrigoven 1750, 2nd Floor, Buenos Aires, Argentina. ::\$\$20,000

An information Memorandum on the business of the Caja is currently available from the offices of the Caja's financial advisers, Kleinwort Benson Ltd and Coopers & Lybrand/Harteneck López y Cía 14 April 1993 in the Ceja's head office Bld Date:

KLEINWORT BENSON LIMITED

COOPERS & LYBRAND/

London EC3P 3D2 Tel: 44 71 623 8000

HARTENECK, LÓPEZ Y CÍA 25 de Mayo, 140, 6º Piso 1002 Buenos Aires

Teb 541 334 2830 Fax: 541 331 5325

2150,000,000 **Bristol & West Building Society** Floating Rate Notes due 1994 For the three month interest period February 9, 1993 to May 10, 1993, the rate has been determined at The relevant interest date May 10, 1993 will be £155.65 per £10,000 and £1,559.51 per £100,000 in

0

COMPANY NOTICES

By: The Chast Machetter Seak, N.A. London, Agent Bank

Dearer form.

February 11, 1993

STATE BANK OF NEW SOUTH WALES Aus. 580,000,000 Puttable Adjustable Rate Notas due 1994 in accordance with the lemms and conditions of the Notes, the interest rate for the period 2nd March, 1993 to 2nd March, 1994 has been fixed at 5%% per annum. The interest payable on 2nd March, 1994 against Coupon 5 will be Aus.\$64.38 per Aus.\$1,000 nominal and Aus.\$643,75 per Aus.\$10,000 nominal.

Agent Bank and Principal Paying Agent ROYAL BANK OF CANADA

THE "SHELL" TRANSPORT AND TRADING COMPANY, D.L.

Notice is hereby given that a balance of the Register will be struck on Friday, 5th Merch, 1983 for the preparation of the half-yearly dividend payable of the FIRST PREFERENCE SHARES for the six months ending 31st March, 1993. The lividend will be paid on 1st

dividend, their transfers must be lodged with the Company egistrar, Lloyds Bank Plc, egistrar's Department, The Causeway, Worthing. West Sussex, BN99 SDA, not later than 3.00 p.m. on Friday, 5th March, 1993.

or Transferees to receive thi

Stell Costs By Order of the Board Leaden, SET 78A LA. Contro 19th February, 1953 Secretary LA CENTRE

DECLARATION OF DIVIDENDS

UNITED KINGDOM CURRENCY EQUIVALENTS In accordance with the standard conditions relating to the payment of the dividends declared on 14 January 1993, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R4.5111 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remutances between the Republic of South Africa and the United Kingdom on a February 1999 and death with a sense result. South African between 1993, as advised by the companies' South African bankers

The United Kingdom currency equivalents of the dividends are therefore as

Namo of Company (All companies are incorporated in the Republic of South Alnosh Amount per share No 7.09361 Gold Fields Property Company Limited New Wits Limited 3.76848 4.43351p Vogelstruisbuit Metal Holdings Limited By order of the boards

per pro GOLD FIELDS CORPORATE SERVICES LIMITED S J Dunning, Secretary

United Kingdom Registrer: Barclays Registrars Bourne House nham, Kent, BR3 4TU

Members of the Gold Floids Group

10 February 1993

INTERNATIONAL CAPITAL MARKETS

Treasuries firm ahead of second tranche of refunding auction

By Patrick Harverson in New York and Sara Webb in London

US Treasury prices firmed across the board yesterday as the bond market awaited the second tranche of the government's refunding programme. By midday, the benchmark 30-year government bond was up & at 105%, yielding 7.179 per cent. At the short end of the

market, the two-year note was

GOVERNMENT BONDS

also slightly higher, up & at 100%, to yield 4.183 per cent. After Tuesday's successful three-year note sale, sentiment about the afternoon's auction of \$10.75bn in 10-year notes was

generally positive. At the start of the week, analysts had worried that the three-years would be the hardest sell, so having got wbat was believed would be the trickiest part of the refunding out of the way, the market bid up prices yesterday morning, confident that the 10-year sale

would go smoothly. The final leg of the Treasury auctions comes later today, when \$9.25bo of 30-year bonds will be put up for sale.

■ ITALIAN government boods fell a point on political worries as news emerged in the after-noon that Mr Claudio Martell, the justice minister, had

resigned from the government. The BTP futures contract fell a point to 95.90 by late after-noon, having settled at 96.89 on

Mr Martelli, a socialist, is under investigation on corruption charges. He is the first minister to be brought down by the Milan corruption scandal which broke a year ago. Dealers said the bond market

tumbled on fears that Mr Martelli's resignation might damage Italy's four-party coalition ■SPANISH government bonds

ended firmer after Tuesday's

profit-taking, with buying interest concentrated on the Yields fell at yesterday's Treasury bill auction. As expected, the yield on one-year Treasury hills fell to 12.536 per cent from 13.041 per cent.

THE German government bond market closed firmer, helped by good domestic boy-

The Liffe bund futures contract rose from 98.18 at the opening to trade at around 93.35 by late afternoon.

The results of the Bundes-bank's keenly watched securities repurchase tandar. announced yesterday, had lit-tle effect on the bund market. The Bundesbank accepted DM62.5bn of bids for 14-day and 28-day securitles repur-

chase agreements, allocating net new liquidity of DM3.9bn. The lowest minimum rate at the repo fell 7 basis points to 8.50 per cent. Dealers said the rates at this week's repo - the first since last Thursday's cut in the Lombard and discount rates - were in lina with expectations.

■ BELGIAN government boods saw another volatile day, with prices ending just above the day's lows in spite of a firmer

The franc started to firm against the D-Mark after the central bank raised a money market interest rate, the endof-day rate, from 8.80 per ceot to 9.30 per cent. The Belgian government

bond market came under pressure earlier this week on worries abont currency, the politi-cal situation and the

FT FIXED INTEREST INDICES Feb 10 Feb 9 Feb 8 Feb 5 Feb 4 95.06 95.03 95.34 95.37 95.41 110.65 110.63 110.82 110.98 110.98 emment Securities 15/19/26; Facet Interest 1626. Overwhent Securities high since compliation: 127.40 (9/1/35) 1gh since compilation: 110.95 (4/2/33) , low 50.53 (3/1/75) GILT EDGED ACTIVITY Feb 9 Feb 8 Feb S SH Edged Sirpains 5-Day average * SE activity Indices 1823 1698

167.1 173.4

day, hut light profit-taking

eroded some of the day's gains leaving the market only slightly higher compared with

The June futures contract,

which opened at 109.66.

reached a new high of 109.76 as

the yen strengthened to 120.68

to the dollar. However, dealers noted some

its previous close.

167.0

government's large borrowing helped to push up Japanese government bond prices yester-

286d 1974

higher, with the futures market out performing cash bonds. The Liffe gilt futures cootract gained over half a point, rising from 100.27 to 101.15. In the cash market, the 9% per cent gilt due 2002 rose from 111.00 to

111% by late afternoon.

Dealers said that the market remained coocerned about the outlook for inflation given Tuesday's disappointing producer input prices. The market is walting for

Friday's retail price index data for January to see whether there are any signs that inflation has picked up.

FURTHER strengthening of the yen against the US dollar strengthen to help curb

		Coupon	Red	Price	Change	Ylets	Week ago	Monti ago
AUSTRALI		10.000	10/02	108-9111	+0.952	8.62	8 64	8.9
BELGIUM		8.750	06/02	105 2000	-0.950	7,94	7.56	7.5
CANADA .		7.250	06/03	95,7000	-0.053	7.86	7.96	8.03
DENMARK		8.000	05/03	95,2500	+0.200	8.73	8.60	8.60
FRANCE	BTAN	0.500	03/97	102-0473	-0.310 -0.030	7.88 7.80	7.84 7.82	7.9 8.00
GERMANY		8.000	07/02	106.4300	+0.130	7.04	7.06	7.1
ITALY		12,000	05/02	95,7350	-0.130	13.001	13.19	13.5
JAPAN	No 118 No 145	4.890 5.500	06/89	103.9238 108.2782	+ 0.051	4 82 4.24	4,19 4.35	4.3
NETHERLA	INDS	8,250	06/02	108.6500	+0.030	8.96	7.05	7,2
SPAIN		10.300	08/02	93,7500	+ 0.200	11.39	17.67	12,4
UK GILTS		10.000 9 750 9 000	11/96 06/02 10/08	111-02 111-04 103-13	+ 2/32 + 7/32	8.62 8.06 8.56	6.57 8.02 8.50	7.2- 8.4 8.71
US TREAS	URY .	6.375 7.625	08/02 11/22	99-31 105-09	+ 8/32	6.36 7.19	8.44 7.24	6.7. 7.4
ECU (Fron	ch Govt)	8,500	03/02	102,5050	-0.220	0.10	8.14	8.4

Japan's rising trade surplus. The dollar fell from a high of Y123.93 in Tokyo on Tuesday to a low of Y120.68 yesterday on expectations that Mr Yosh

profit-taking, and the futures contract closed at 109.53, up from Tuesday's close of 109.50. In the cash market, the yield iro Hayashi, finance minister. on the No 145 traded in a range and Mr Lloyd Bentsen, US treasury secretary, would agree to allow the yen to rise when they of 4.21 per cent to 4.26 per cent, before closing at 4.235 per cent, against Tuesday's close of 4.245 meet for the first time in Wasbington on Saturday. Japanese officials were said

• STANDARD & Poor's has

the £180m accuritised issue from Truck Funding, the Ley-land Daf finance vehicle, lauoched at the end of last year, writes Richard Waters.

Technical Data! ATLAS Price Source:

The deal was structured to cope with events such as the insolveocy of the manufac-turer, S&P said. UBS Phillips & Drew, which handled the issue, agreed to provide a non-recourse facility of up to £45m to flow problems on the bonds.

would sell its stake in the telephone concern in the first quarter of 1993. Recent news reports said the government planned to delay the sale until next year to get a better price. In November 1991, a consortium of companies led by GTE paid \$1.88hn for 40 per cent of CANTV and took managerial

Venezuela

proposes

telecom

share sale

VENEZUELA plans to sell \$600m worth of shares in CANTV. the telephone com-

pany managed by GTE Corpo-

ration of the US, by June this

year, Reuter reports from Car-

Mr Julian Villaiba, president

of the Venczuelan investment

Fund, said that a small block

of shares would be issued on

the Caracas stock exchange to

establish market value and the

rest would be placed on foreign

them on an exchange, through any mechanism, and it doesn't

have to be on Wall Street."

said Mr Villalba. The \$600m ln

ahares would represent one-third of the atate's 49 per cent

The government had said it

HOM

Park Street

"We are looking to register

stock exchanges.

stake in CANTV.

control, Another 11 per cent of shares were sold to employees. The government hoped that recent investments worth several hundred million dollars to improve and expand the sys-tem would factor into the share price, Mr Villalba said. Mr Villalba said the oew sale of shares could be made in the

US but officials would look at exchanges in Europe or Asia. Lehman Brothers would be lead underwriters of the sale on foreign exchanges, he said. The government said it expected to raise about \$2bn this year from the privatisation of state companies, including about \$1.2bn from utilities.

• The controlling US sbareholders in New Zealand's Telecom Corporation have extended until September 12. 1994 an option to sell their shareholdings, Under a 1990 agreement, Bell Atlantic and Ameritech of the US bought 100 per cent of Telecom from the New Zealand government, on condition that they reduced their shareholding to 49.9 per cent by September, 1993.

2.19 3.64 1.40 3.46

Up to 5yrs... Over 5 yrs... Up to 5 yrs... Over 5 yrs...

Denmark's \$1bn offering sells well in spite of tight pricing Malaysian bank issues \$75m three-year CD

MALAYSIA'S Public Bank (PBB) has issued a three-year negotlable floating rate certifi-cate of deposit worth US\$75m, Reoter reports from Singa-

The issue, lead managed by OCBC and Hongkong and Shanghal Banking Corp, pays 37.5 basis points over the sixmonth London interbank offered rate, OCBC said. A group of 18 banks took part in the issue, originally for \$50m but raised to \$75m after oversubscription.

• MBf Asia Capital Corp (MACC), the Hong Kong-based merchant banking unit of Malaysia's MBf Group has bought 68.4 per cent of MBf Card Services for M\$32.5m from MBfI

MBf Card is the largest issuer of credit cards in Malaysia and of MasterCards in south-east Asia.

By Antonia Sharpe

THE Kingdom of Denmark launched its widely-expected Eurodollar bond yesterday, and syndicate managers expected more oew issues today, including a Ecu500m three-year offering from the European Com-

Mr Andrew Pisker, head of new issues at the lead manager, Lehman Brothers International, acknowledged that Denmark's \$1bn 5% per cent

INTERNATIONAL BONDS

sively priced to yield 20 basis points over comparable US Treasuries. However, he reported good sales into Europe and the UK in spite of the tight spread

Other syndicate managers said the spread on the Danish

deal was five basis points too tight, but agreed that the issuer had been able to take advantage of the current demand among investors for dollar-denominated paper. The syndicate on the Danish deal had not broken by late after-

Mr Niels Sorensen, head of the foreign debt department at Denmark's National Bank, said he was happy with the cost-advantageous terms of the bond and that the proceeds hed been swapped into floating-rate D-Marks. The funds will be used to strengthen the central bank's foreign exchange reserves which have been depleted by the recent intervention to support the Danish krone within the exchange rate mechanism.

paper enabled the Republic of the Philippines to increase its previously-announced threeyear offering to \$150m from

Investor preference for dollar

\$125m and set the yield at 320 basis points above comparable US Treasuries, at the lower end of the Indicated range of 320-330 basis points. Syndicate managers said the success of the Filipino deal partially reflected that it had been well flagged in advance of its

launch yesterday.

An official at the lead manager, JP Morgan, said that 80 per cent of the offering was split between Asia and Europe and the remaining 20 per ceot was placed in the US. After the syndicate was broken, the bonds were hid at par, above their re-offer price of 99.88. Elsewhere, Credit Local de

12, 1998. The matnrity was pitched to tap demand for paper at that area of the yield

A manager at NatWest Capital Markets, the lead manager, said that a little over half of

NE	WINTE	RNATI	ONAL	BOND	ISSUE	S
Borrower US DOLLARS	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
Kingdom of Danmark	1bn	5.75	29.767	Feb. 1998	0 25/0.1	Lehman Brothers Int.
Republic of the Philippines(a) Natinsa, Grand Csyman(a,b)4	150 100	7.875 5.875	99.88	Feb.1996 Feb.1998	1,135/0,375 2,35/1,25	JP Morgan Securities Bankers Trust Int.
D-MARKS Euro.Coal & Steel Community Kawasaki Kisen Kaisha*	21S 110	8.625 7.25	101,15 101,37S	Mar, 1996 Feb. 1999	1.635/1,125	Sayerische Vereinsbank DKB(Deutschland)
STERLING Crédit Local de France	100	7.25	99 465	Dec. 1998	0.25	NatWest Cap.Mkts.
NEW ZEALAND DOLLARS Primery Industry BicAustralia	50	8.25	101,25	Mar,2000	2/1.25	Hambros Bank
SWISS FRANCS Uniden Corp.(c)**	150	1.S	100	Mar. 1997	1,625/1,375	Dalwa Secs.Bank(Switz.)
Final terms and non-callable un						

the Crédit Local paper was placed on the Continent. After the syndicate broke, the spread widened slightly by one basis point to 46 basis points above the 7% per ceot UK gilt due in 1998. Syndicate managers said the bond was generously priced compared with a similar offering from Crédit Foncier de

France launched in mid-January with a yield spread of 40 basis points over comparable

Hambros Bank launched the first New Zealand dollar issue in the international market since last June. The NZ\$50m offering for Primary Industry Bank Australia, due 2000, was

6 Vo 10 5 years (2), 184,40 +0.03 184,34 7 Over 5 years (12). 169.81 +0.32 169.26

8 All stocks (14) ... 170.59 +0.29 170.10 0.63 9 Febr & Lease (61) . 125.56 -0.22 125.84

0.73

0.26

more or less sold by midday, mainly to Benelux, German and Swiss investors. The issue was bid at 99.55,

within the total fees of two points. Further issues in the New Zealand dollar sector are likely, as some NZ\$200m worth of paper is due to mature in

France raised £100m of 7% per cent Eurobonds due December

MARKET	STATISTICS	

RISES AND FALLS YESTERDAY

		_		-	_	ONAL BOND SERVIC	est price	# 65	pm on	Febru	stry 1
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UF 10X7083/896	100 250	1075	1157	44	5.69	ENERGIE BEHEERB 3/4 96 FI	500	108	10812		7.00
7 3/4 97	150	1074	108 1 115 1 106 1 106 1		5.73	ALBERTA PROVINCE IN CALCA.CE	500	1102	1074		7.11
SK GAS D21	390 1500	1054	106	44	8.49	BELL CANADA 10 5/8 99 CS	150	1081	109	-1	8.76
DA 996	1000	1105	TID:		8.49 5.10 4.69	BRITISK COLUMBIA 10 % CS	500	1081 1057 1081	106	1 1 1 1	7.85
AVIERA PEREZ 9 96	300 100	108 %	1075	43	10.54	ELEC DE FRANCE 9 JA 99 CS	拐	1075	1091 1061 108 108	+4	821
CLEUROPER 96	100	1064	1075	414	10.54	GEN ELEC CAPITAL 10% CS	100	182	1027	_	8.36
MAKE 1494	300 350	105	1164	7	4.48	KFW INT FIN 1001 CS	400	107	1051	_	8.11
ZARK 9 LJ4 95	1371	1081	1094		4.48	DITARIO HYDRO 10 7/8 99 CS	200 500	1081- 1161- 1091- 1071- 1031-	1103	+1	8.51 8.62 8.70 7.85
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3/4 96	250	1131	1075		5.43 5.90 5.91	BELGIUM 9 1/8 96 Eco	1250	103	103	+4	7.85
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MAN TEEL

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Pessimists fear companies may cut the pay-outs they have struggled to maintain

Captains wary of another false dawn

By Maggie Urry

THE STOCK MARKET could face a testing time as companies report results over the next few weeks, or it could be about to see the turning point from recession to recovery. Optimists hope that when company chair-men publish profit figures for 1992 — which

in aggregate will be poor - thay will signal a brighter outlook for 1993. Pessimists are more coocerned that some companies will cut dividends they have struggled to maintain through the longest recession since the 1930s.

There is broad agreement that industrial

companies' profits in aggregate will have shown no growth, or even a slight decline, in 1992. Profits fell 6 per cent in 1991. The market's concern will be what the results say about the outlook for the current year. Analysts will use the results to rework

their profit forecasts for the coming year, setting the tone for the stock market. Chairmen's statements and companies' div-

atarting to appear or that captains of industry see no recovery on the horizon. And chairmen may be nervous about being over-optimistic having witnessed false dawns before.

Estimates for current year profits growth vary widely, not only between stockbroking firms, bot also between strategists, who take a "top-down" approach, and the "bottom-up" aggregation of analysts' forecasts. In most cases, the analysts' number is higher than the strategists', even the more bearish of whom look for double-digit percentage profits growth from industrial companies in 1993.

Even without much help from the economy. cost-cutting, lower interest rates and the ben-efit of the fall in the pound, if only on translation of overseas profits, should be sufficient to boost profits by 10 per cent or more. Mr Mark Brown, chief UK atrategist at UBS Phillips & Drew, is forecasting a 12 per cent

rise in industrial profits, while his analysts are going for 21 per cent. He says the gap is

hints that the famous green shoots are at last he feels if his forecast is right analysts will June. It cut its final dividend last year, but bring down their estimates over the next few weeks which could hit the market.

Mr Brown is concerned that an economic recovery will he slow, particularly as many companies are still trying to cut stock levels, and says that "one company's reduction in stocks is another's cut in ontput".

The most optimistic strategists, such as Nomura Research Institute, have a forecast of 30 per cent for industrial earnings growth in 1993. Although admitting some of this may be deferred to 1994, Nomura's analysts are closer to other firms' forecasts with 22 per cent growth predicted. Nomura believes that analysts lag behind strategists at turning points. While most market commentators expect

1992 dividends to be little changed in total, there could be surprises from individual companies. Many are leaving the decision until the last moment so that the dividend can reflect the up-to-the-minute trading situation. One such is Pilkington, the glass company, which has a March year-end and reports in

maintained its interim in December paying it from reserves, saying it would decide on the total payment for the year in June. If positive signs of recovery appear by then, investors hope Pilkington will decide not to cut again. Dividend increases in 1993, forecast at about 3 or 4 per cent across the market, are expected to lag behind earnings growth as

companies attempt to rebuild cover.

Although the hope that the UK has become a low-inflation economy means dividend cover need not be as high as it was in, say, the 1970s, companies and investors generally still feel uncomfortable if cover is below 2.

An additional problem for companies with surplus advance corporation tax, is that a dividend increase adds to the tax charge, thus

reducing cover more severely. Many companies will be keen to retain earnings to help finance extra working capi-tal which they will need when recovery comes. Mr Brown said dividend cuts were still made after the last recovery had started.



David Tweedle: in a way FRS 3 should be easier for analysts because they

How the FT views FRS 3 accounting discipline

By Rod Oram

THE CHANGES to company accounts triggered by the new FRS 3 accounting standard will have an impact on companies' results and the way the Financial Times

For many companies, pre-tax profits and earnings per share will be more volatile. However, FRS 3's requirement on them to give more financial data will bring more

detail and depth to our reporting and analysis.

Not all companies will switch to FRS 3 before the June 22 deadline. For those that do, we will report their results in the following way:

The main measure will remain pre-tax profits for the latest period compared with the previous year's figure. For a transitional period, we will show a second comparative figure based on the previous standard. Any factors distorting pre-tax

ising or disposing of businesses,

will be fully reported.

Our reports will carry all the figures needed to give a full review of a company's performance. The FRS 3 data will allow for example, a clearer picture to be given of the impact of acquisitions and the cost of disposals.

Thus, a more accurate assessment will be possible, for example, of the profitability of a company's

Greater use will also be made ofcashflow statements introduced under FRS 1.

The FT will report the earnings per share derived under FRS 3, contrasted to the year earlier figure. Wa may also report any alternative earnings quoted by the company. For analytical pieces, such as Company Comments and corporate profiles, wa will draw on p/e ratios based on eps figures adjusted to

remove anomalies and to give a guide to companies' on-going per-formance. Brokers' analysts have begun work on such adjusted fig-ures; we will he following their efforts closely.

FT Statistics, the department which provides the London Share Service prices, is discussing tha appropriate treatment of earnings for the p/e ratios shown on these pages. The policy to be adopted will be announced in due course.

Grand Metropolitan

CONSOLIDATED PROFIT for the year end	& LOSS At	COUNT - ember 1992	FRS 3 BA	SIS
		1992		1991
	£m	£m,	£m	£m
Turnover				
Continuing operations	6,617		6,649	
Acquisitions	_428			
	7,045			
Discontinued operations	_868		2.099	
Total turnover		7,913		8,748
Operating costs		(6.964)		(7.721)
Operating profit				
Continuing operations	865		895	
Acquisitions	37			
	902	,		
Discontinued operations	47		132	4
Total operating profit		949		1,027
Share of profits/(losses) of associates				
Inntrepreneur Estates Ltd		(14)		(11)
Other		30		21
		965		1,037
Continuing operations	• • • • • • • • • • • • • • • • • • • •		20	
Disposal of fixed assets Sale or termination of businesses	13		29	
	10		(1)	
Provisions for loss on sale or termination of businesses	//25			
termination of dustriesses	(43) (20)		28	
Discontinued operations				
Disposal of fixed assets			3	
Sale or termination of businesses	66		(307)	
Utilisation of prior year provisions	53		49	
Provisions for loss on sale or	55			
termination of businesses	_(45)		_(191)	
Marian Contraction	74		(446)	
		54		(418)
Interest		(94)		_(171)
51110100v				
Profit before taxation		925		448
Taxation		<u>(295)</u>		(223)
Profit after taxation		630		225
Minwity interests		<u>(6)</u> .		_(7)
Profir for the year		624		218
Ordinary dividends		_(246)		(218)
Transferred to reserves		378		0
Earnings per share		30.6p		_11.0p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30th September 1992 Profit for the financial year 218 Deficit on revaluation of investment properties in associate Unrealised profit on sale of tenanted pub estate 23 Exchange adjustments on foreign currency net investments Total recognised gains and losses for the financial year NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 30th September 1992 Profit on ordinary activities before taxation Realisation of property revaluation gains of prioryears 392 Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount 3 Asset provisions creared/(utilised) not required on an 810 Historical cost profit on ordinary activities before taxation 982 Historical cost profit for the year retained after taxation, 435 352 minority interests and dividends RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 30th September 1992 Profit for the financial year 624 218 (218)Ordinary dividends Other recognised gains and losses relating to the year (net) (336) 77 151 New share capital issued Goodwill acquired during the year Goodwill transferred to the profit and loss account 214 21 in respect of disposals of businesses 337 Net additions to shareholders' funds Shareholders' funds at 30th September 1991

3,401 3,422 Shareholders' funds at 30th September 1992 Effects as companies rally to a new standard

By Andrew Jack

MR DAVID TWEEDIE, chairman of the Accounting Stondards Board, recently said there was a need to develop standards that the person in the street could understand. FRS 3, the new financial reporting standard on the profit and loss account, does not fall into that category. But over the coming months, any-

one examining companies' financial results will rapidly begin to see the effect of the standard and will have to learn to cope with its effects. FRS 3 becomes maddatory for

companies with financial year-ends after June 22 this year. The Accounting Standards Board has urged companies to begin complying before this time.

It is essentially a standard dealing with disclosure and presentation of financial information, rather than specifying new ways of treating the numbers. The most important changes are:

• Extraordinary items - costs or realisations which are fundamentally different to a company's oormal activities - will be virtually abolished. Any that remain will be placed above the bottom line, so they will be included in the pre-tax

profits figure. Pre-tax profits and earnings will hecome far more volatile from yearto-year as a result, forcing readers of accounts to examine the details rather than focusing on a single figure of financial performance.

 Exceptional items – other large material items outside the compa-ny's continuing husiness operations will be largely absorbed into other headings on the profit and loss account. Three will remain sep-

arately disclosed: profits or losses on sale or termination of an operation; costs of a fundamental reorganisation or restructuring; profits or losses on the sale of fixed assets. • Turnover and profits must be broken down between three separate categoriea: continning operations, acquisitions as a component of these operations, and discontinued operations.

• The proceeds on the disposal of revalued assets must be recorded with reference to the carrying value or revalued amount shown on the balance sheet, where previously it was left in reserves.

• A new statement of total recognised gains and losses will show the effect of any changes to reserves such as ravaluations, and of exchange adjustments, which were all previously huried in the notes to the accounts.

• A note of historical cost profits and losses will reconcile the effects of any revaluations to the historical level at which they were shown in the balance sheet. A reconciliation of movements in

shareholders' funds shows changes such as goodwill on acquisitions and new share capital issued. So far, only a handful of compa-nies have complied. These include BOC, Bine Gircle, Hanson and Trafalgar House. A larger number of companies are using the format of FRS 3 for their interim results. Others - such as Bass and MEPC are beginning to make reference to it in their accounts.

The recently released accounts of Grand Metropolitan for the year to September 30 1992 provide a useful illustration of the effects of FRS 3, which it has fully adopted. The difference between the old

and new profit and loss accounts is instantly shown by the different profits: under the old system, pretax profit was £902m; under FRS 3, the new pre-tax profit on ordinary foreign currency exchange adjust-activities is £925m. The principal ments, and revaluations, reconciled

difference is £12m in extraordinary items, which hoosts earnings per

share from 30.1p to 30.6p. GrandMet discloses a contribution to turnover of £428m from acquisitions, separated from £6.6hn from existing, continuing operations. This would have been impos-sible to calculate before. It splits out under the three categories of the remaining exceptional items: £13m in fixed asset disposals, £10m on sale or termination of businesses and a £43m provision for loss on

sale or termination of businesses. The three notes show substantial changes in goodwill, share capital,

to tha figures on the face of the profit and loss account.

in general, a danger of FRS 3 is that companies can use it to throw up a smokescreen. Some companies are reporting under the new stan-dard, and hlaming it for any drop in profits. Others are holding back from implementing FRS 3 because the old system gives them more flexibility to cooceal damaging transactions.

Analysts are also noting variations in the ways companies comply with the new standard - particularly over how material items must be separately disclosed, and how businesses are divided between continuing and discontinued Items.

Goodwill factor catches many out

USERS OF accounts can expect to see a growing number of references by companies to new standards and rulings in the next few months.

Probably the most important change - and the one that caught many finance directors by surprise comes from the Accounting Standards Board's urgent issues task force, a unit designed to quickly clamp down on ambiguities or abuses in existing standards. The unit's ruling in December 1991 dealt with the treatment in the p and l account of any acquired businesses of which a company subsequently disposed. The ruling says that any goodwill - the difference between the net assets of the acquired company and

the purchase price paid - should be included in the calculation of profit or loss upon its sale.

In the past, a company might have paid £100m for a

business with assets of £80m, and then sold it for £90m. By writing off to reserves the goodwill of £20m and recording it in its balance sheet at £80m, it could have reported a profit of £10m from the sale. Now it must record a loss of £20m.

Other rulings which will come into effect soon include one requiring the disclosure of post-retirement benefits such as healthcare, and another on the treatment of costs when a company repurchases debt. FRS 1, the accounting standard on cash flow, and

FRS 2, on unconsolidated subsidiaries, are already in effect. More important will be FRS 4, which deals with capital instruments and may be released late this year.

The standard will require companies to treat virtually all "hybrid" instruments, such as convertible bonds, as debt rather than equity. All remaining equity other than ordinary shares will be classified as non-equity shareholders' funds.

will be given all the numbers to work with Reuters dividend likely to be beacon in a dark season

By Jane Fuller

REUTERS' near 25 per cent increase in its 1992 dividend, announced on Tuesday, is likely to be a beacon in an otherwise dark season.

Little change is expected for 1992 payments across the market. Some analysts are forecasting a small fall, especially outside the utilities and hlue chip companies.

The drag factors are ohvious: a small minority of companies are expected to cut their final dividends and a rather latger number will maintain, in soma cases for tha third year running. To offset these dampeoers, there is likely to be only a smattering of 10 per centplus increases.

Some of the likely cutters marked British Aerospace had to reshuffle its reserves to enable it to pay a much reduced interim dividend

Rolls-Royce, on the other hand, held its interim, but doubts have surfaced about the final. After twice holding it at 7.25p - once uncovered - the prospect of hrazening out a lack of cover for three years altogether may sway the argument for a cut. The doubts are reflected in a historic yield of nearly 8 per cent, almost double the market

Among the maintainers, ICI seems to he heading for a hat-trick of three years at the same level. Once it splits in two, the more immediate hopes for growth focus on Zeneca, the pharmaceutical spin-off.

A profile of prolonged flat dividends is also presented by the motor components groups GKN and T&N. The latter's vulnerability in s second year of inadequate cover is

suggested by an 8 per cent yield. However, both returned to profits growth in the first half of the year.

CKN is a good example of the industrial groups which have improved cash flow and reduced gearing, and so can justify holding dividends even when earnings cover is a problem.

On the brighter side, Lloyds Bank is expected to announce a 10 per cent dividend increase tomorrow but its gesture would make far fewer waves than a cut from baddebt-ridden Barclays. Its dividend prospects have been the subject of considerable debate.

Among the insurers, Commercial Union's 3 per cent dividend increase yesterday, alongside its £428m rights issue, may well be the best of the hig five composites. Royal, which passed its final last time and slashed the 1992 interim, is forecast to make the annual total up to 5p. Losses on domestic mortgage indemnity policies have hit its abil-

ity to pay more. Looking ahead, dividend growth is forecast to resume this year, although recovering at a slower pace than earnings. A couple of years of modest dividend rises say 4-5 per cent in line with inflation - should enable companies to rehulld dividend cover, which has fallen below 1.8 times.

Analysts are questioning the need to restore cover to historic levels of 2.5 times or more because of lower inflation and the downward pressure exerted on the average by privatised utilities.

A lower target would bring forward the point at which real dividend growth can resume. As long as prospects are sluggish, the attractiveness of equities diminishes compared with gilts.

Change in rulings will devalue p/e ratios

IS THE p/e ratio dead? The introduction of Financial Reporting Standard 3 will make fundamental changes to the way earnings per share are calculated, and will therefore affect the p/e, often regarded as the most important investment

ratio Once items formerly treated as extraordinary, and therefore not included in eps calculations, are moved above the line, the FRS 3 eps number is likely to be more volatile

than in the past. The Accounting Standards Board's main aim in producing FRS 3 was to reduce the importance of the single eps number - which has become less meaningful as companies have found ways to fudge the figure. Under FRS 3 investors will be given, and indeed forced to look at, more information on which to base their valuations of companies. Mr David Tweedie, chairman of

the ASB, says that, "in a way it should he easier for analysts hecause they will be given all the oumbers to work with." He points out that US companies and analysts have worked with a similar accounting system to FRS 3 for years. While 53 per cent of UK companies are likely to have an extraordinary item in any one year, only 5 per cent of US companies do.

Analysts are fairly sanguine about the changes, although they admit that there will be discontinuity and confusion to start with. Many claim that they were already adjusting published eps numbers for items which they regarded as oot part of the continuing business. Further they stress that tha p/e is

only one measure of a company, and most analysts also look st yield.

cash flow, asset value, halance sheet strength and make more subjective judgments such as on the quality of management.

The Institute of Investment Management and Research, the investment analysts' industry body, is working on a report expected to produce a recommended method of producing a "normalised" eps ligure showing what a company has earned from its continuing operations. Analysts could use this as a base for making earnings forecasts.

This method could become an industry standard, and companies might even come to produce an IIMR eps figure. Meanwhile, many stockbroking firms are working on their own versions of normalised or ongoing eps figures.

Mr David Gray, of brokers James Capel, agrees that the p/e has in the past been emphasised because it provides a simple message to put across to investors. He, like others, does not expect a move to a ratio based on cash flow, but says people will be pushed to use a wider range of yardsticks.

At UBS Phillips & Drew, Mr Richard Hannah agrees that the arrival of FRS 3 will "force analysis beyond the eps level". However, he is concerned that analysts may latch on

to an "ongoing" p/e.

That is likely to be a flattering number if losses from discontinued activities, for example, are excluded. And it is often a reflection on a company's management if a subsidiary has to be closed, and relevant to its dividend paying ability if a loss on an investment has been

sustained. If not dead, the p/e will at least be devalued with FRS 3, hut that may not be a bad thing.

NHL to repay £120m bond issue on time

By John Gapper,

NATIONAL Home Loans, the centralised mortgage lender, yesterdey signalled confidence in its prospects of recovery by announcing that It intended to repay £120.1m in D Mark hond issues on time rather than rescheduling the debt. The shares firmed to to

6/4p.
The group said it had postponed rescheduling offers to
holders of £48.4m of bonds due for payment on June 7, and £71.7m of bonds due ln mid-

It now intended to repay the debt rather than moving back the repayment dates to the

The compeny said it had postponed plans to reschedule debt because of the "significant costs" of making exchange offers, and because improving prospects for the UK housing market had made it more confident of its own trading prospects.

It added that its confidence had also been increased by the falls in sterling interest rates. Mr Jonathan Perry, chairman, said the cost of exchanging the bonds, which trade on the Frankfurt exchange, included fees and commissions to exchange agents, higher Interest rates on the bonds. and legal fees.

The company, which had to

attack in Owners bid reschedule on halance sheet deht of £700m last June to keep trading, requires permission By Richard Gourlay both from banks involved in the refinancing, and from hold-AIRTOURS yesterday returned

resumes

why their company has per-

formed relatively so badly.

In a letter to shareholders,

chairman, said that contrary to Owners Abroad's claim that

his company was "running ont

of steam", Airtours' increases

in bookings were gathering

"The basic message is tha

same," Mr Crossland sald.

"Airtours has performed over the years and Owners Abroad

Mr Howard Klein, Owners

Abroad chairman, replied hy saying that in neither of Air-

tours' two offer documents

had it supplied a convincing explanation of the strategy for

the enlarged group.

Airtours had also failed to quantify the benefits which It

claimed would come from the

merger of the two groups.

Mr Crossland said that he

was particularly noset by the

claim that Airtours had cho

sen the wrong aircraft in the

This older, hut commercially

proven, aircraft had heen cho

sen because at the time the

A320 had not been in opera-

Mr Perry said that the banks had 30 days to respond to the Dollar hond holders would be consulted at a meeting for which 21 days notice would be

ers of £50m of dollar bonds

already rescheduled to 1995.

He said that if consent was not given, the company would have to return to its original plan to reschedule the D-Mark bonds. The company originally said it was confident that the D-Mark bonds would be rescheduled by the end of 1992.

Lloyds Abbey rises to £298m

LLOYDS ABBEY Life, the life assurance group, announced profits before tax of £397.6m for 1992, a rise of 4.2 per cent on the previous year's

The total dividend remains at 17.3p via a proposed maintained final of ttp, payable from earnings of 28p (29.1p) per share.

Black Horse Financial Services, a "bankassurance" company which sells products only to customers of Lloyds Bank, registered a 23.5 per cent growth in pre-tax profits, from £89.5m to

However, profits at Abbey Life, its other UK life assurance division which sells mostly cent to £146,4m (£142,9m).

Abbey Life's relatively poor performance was attributed to expenses of new regulatory requirements on training and competence, which led to a reduction in the sales force from 3.507 to 3.200.

Lloyds Bank Insurance Services, which sells general insurance, increased pre-tax profits hy 7.7 per cent to £58.8m (£54.6m).

Profits before tax at Lloyds Bowmaker, the finance company affected by a £100.5m bad debt write-off, dropped from £22.3m to £16.2m. Black Horse Agencies, the estate agency, saw losses reduced from £21.4m to £10.6m.

The worst results were suffered by Trans Leben, the group's German life subsidiary, which incurred a loss of £14.1m (profits of £7.5m). This reflected strict reserving requirements for its "with profits" business.

tion for more than 4,000 flying hours a year.

Airtours had decided not to risk starting a new charter air-Brooke Tool £2.4m disposal

line with a new aircraft.

Mr Crossland refuted Ownars Abroad's claim that Airtours' 30 per cent expansion in capacity in 1991 hed heen "risky", Airtours had moved very rapidly - hut according to a plan - in snapping up hotel heds and airline seats when

ILG went hust. As e result Airtours had been ehle approximetely to donhle its market share, adding five percentage points to take it up to ahont 12 per cent of the air inclusive tour market that year. Owners Abroad had only increased its market share by one percentage point in summer 1991.

Mr Crossland said that while market cepitalisation hy £186m in the five years to last September, Owners Ahroad's worth had shrunk.

BERLIN

BRANDENBURG

Bitterfeld

SAXONY

through a direct sales force, rose by only 2.4 per

By Gary Evans

BROOKE TOOL Engineering (Holdings) yesterday announced a further step in its programme of selling loss-making businesses with the disposal of Cardinal Broach to management for £2,35m cash.

At the same time, the company reported a sharp increase in pre-tax losses, from £1.7m to £3.14m, for the 12 months to September 30.

Turnover was lower at £18.9m (£25.3m). Losses per share increased to 7.3p (3.3p) ted. Last year only a 0.25p Interim was paid.

Exceptional charges of £1.24m (£811,000) included a £503.000 loss attributable to Cardinal Broach, which makes

hroaching tools and machines. The 1991 figures included an extraordinary loss of £403,000 which has been restated as an exceptional Item in line with new accounting standards. Mr Bernard Friend, chairman, said that the exceptionals

covered measures to reduce the cost base and eliminate loss-making activities. They included redundancy payments and losses on disposals. A number of loss-makers

were sold during the year, real-Cardinat Broach represents

the group's last connection with the design and manufacture of capital equipment. Mr

Treuhandanstalt

Tender for the sale of the

The aluminium smelting plant of Chemie AG Bitterfeld-Wolfen is the

only one of its kind in eastern Germany.

The production facilities and ware-

housing are located on a site of

23,500 sq.m. offering good transport

links. A further 17,200 sq.m. of open

spaces and buildings have been set

aside for extensions to the plant. Both

sites are part of the Bitterfeld-Wolfen

industrial estate which is currently being

developed and which has already

attracted a number of leading investors.

The aluminium smelting plant currently

has 146 employees making various

aluminium alloys according to DIN

1725/05 on a 24 hour shift system.

Capacity utilization for the three product

types of aluminium granules, primary

and secondary pig alloys averages

Aluminium Smelting Plant

of Chemie AG Bitterfeld-Wolfen.

Saxony Anhalt/ East Germany

CONTRACTS & TENDERS

John Dashper, chief executive, said the sale would allow the group to redirect resources into its remaining businesses in domestic and export markets - which are showing signs of improvement, it would also reduce group borrowings.

Mr Friend said that poor trading and redundancy costs had kept horrowings et too high a level interest charges for the year took £811,000 (£968,000). The first quarter of the current yeer had not shown any significant change in trading, hut there were more Order books were stronger than at this time last year, particularly in continental Europe and North America.

A downturn reaching to the core **Airtours**

David Simon has had a baptism of fire at British Petroleum. Deborah Hargreaves reports on the expected losses

RITISH Petroleum will curtailed capital expenditure in B today report a loss for last year and a sharp cut in its dividend as the company has seen a downturn in all of its main businesses.

to the attack in its bid to take The decline in core activities, such as refining and marketover Owners Abroad, arguing that shareholders in the rival holiday group have been given ing, is even worse than can inadequate explanations as to have been imagined by Mr David Simon, chief executive, when he took on the post after the ousting of Mr Bob Horton Mr David Crossland, Airtours

last June. BP is expected to report a loss of between £350m and £400m on a replacement cost basis, which strips out the effects of stock tosses and gains, but this figure could be clouded by changes in BP's accounting standards.

investment analysts expect the company to pay a dividend of 2.1p for the final quarter, making a full year pay-out of 10.5p - down from 16.8p in

The company is continuing its programme of severe costcutting set in train by Mr Horton and stepped up hy Mr Mr Simon is believed to have

profit on refining.

the second half of last year even more than he said he would as the scala of the downturn hecame clear to

Mr Nick Clayton, oil analyst at Smith New Court, expects BP to show that It has cut capital spending by £400m in the second half to leave a total of ahout £3.2bn for the full

The company is doing all the right things in cutting costs, but it is getting absolutely no help from the external environment," said Mr Claytoo, Severe over-capacity In the chemicals sector had turned that market into a bloodbath".

n addition, over-production

Share price relative to the . FT-A All-Share Index

WW 90. 80 ----70

by European oil refincries has cut margins to a level of about \$1 (60p) a barrel this nies are making money. Oil companies need a margin of at least \$3 a barrel to make a

BP which is more exposed to the oil price than rivals such as Royal Dutch Shell.

One bright spot for the company is the pound's fall against the dollar, translating into higher revenues from crude oil

By the same token, BP's share price has performed strongly in the UK as US analysts have started to buy the

Crude oil pricas have remained tow and this hurts A favourable exchange rate and the round of cost-cutting

has turned into a slightly higher expected income for BP for the final quarter of last year in spite of the deteriorating fundamentals.

Analysts expect fourth quarter income to he hetween £150m and £200m on a replacement cost basis which is an improvement on the £72m earned in the last quarter of

owever, few in the City expect the upturn to be sustained until there is a pick-up in the oil

BP also faces initial costs for part of its restructuring programme, which aims to reduce the workforce by 11 per cent. Redundancy payments could cost the company £300m in the next six months.

Cash is a key element for BP to get under control. Mr Clay-ton believes last year's results will point to a net outflow of

pp :

(State of the

1.:

Mr Sinion cannut let up on his cost-cutting initiative while the fundamentals of his busi-

Benson reaches £0.8m as growth continues

By Paul Cheeseright,

GROWTH AT Benson Group.

the Woiverhampton-hased engineering company, continued during its first half to

Pre-tax profits jumped from 2225,000 to £817,000 on turnover

of £12.sm (£4.85m).

The profits growth marks an extension of last year's secondhalf trend and follows the absorption of five acquisitions. New management arrived in 1990 and undertook corporate surgery earlier in the recession than many of its peers. The group has disengaged from the

ettributed to the success of

Cardizem CD in the US market.

Prostep declined significantly

in the US, that was partly off-

Although sales hy Lederle of

difficult agricultural machinery markets.

Margins have heen maintained at the levels of the last financial year in the three main lines of husiness ronmental controls, vehicle engineering and engineering components, "We have been determined not to enter the

nies Trust reported net asset

value per share of 98.84p at the

end of the half-year to Decem-

This compared with 99.4p at

The company was incorpo-

fray of reducing prices," said Mr Richard Phillips, chairman. Earnings per share were 0.55p (0.39p) and the interim dividend is restored with a payment of 0,1p, For 1991-92, Benson paid a final, also of

0.1p. Gearing rose from 30 to 50 per cent during the six months.

NEWS DIGEST

ber 31.

Share sale **bolsters** CH Bailey

SALES OF investments, mainly the disposal of part of its stake in Bristol Channel Ship Repairers, produced e £1.24m credit for CH Bailey in the 28 weeks to October 9. The company returned to profit to the tune of £773,250. Sales rose some 12 per cent from £2.1m to \$2,34m, but margins slim. The corresponding period saw a £305,600 loss.

Mr Christopher Bailey, chairman of both Balley and Bristol Channel, in which CH Balley retains en 8 per cent stake, also volced his oppositioo to the Cardiff Bay barrage hill. He said that if the scheme, which is being considered in the House of Lords, was sanc-tioned it would make shiprepairing at the Bute dry dock

US growth lifts Elan

Third quarter profits of Elan Corporation, the Irish health care products group, improved from [£3.06m to [£5.17m (25.38m) pre-tax. For the nine months to December 31, profits Mr Donald E Panoz, chair man, said the growth could be Shares of Elbief yesterday fell

graph frames, clocks and mirrors accompanied news of an increased interim deficit with a gloomy trading statement. Losses hefore tax for the six months to October 31 Increased to £244,000 (£57,000). Mr Harry Prais, chairman, said: "Over-

heads were pruned severely and employee numbers were drastically reduced, but this was negated by lower sales." Turnover declined 17 per cent to £1.9m. Mr Prais said he saw little sign of ao eod to recession and

profits in the current year. Losses per share were 0.2p (0.04p).

in its first set of results, Throgmorton 1000 Smallest Compa-

set hy increased sales of the launch and 106.91p hy January nicotine patch in international rated on April 6 last year, but did not begin trading until July 23, the day after acquiring

Turnover improved from I£14.9m to I£23.4m. Earnings per share rose to 0.15p (0.1p). Elbief deficit up to £244,000

based manufacturer of photo-

did not anticipate e return to

Throgmorton 1000 net asset value falls Throgmorton USM. Cross income amounted to

£803,000 and net revenue was £452,000. Earnings per share came through at 1.34p. The board expects to recommend a ividend for the current year. Throgmorton said it had at December 31 1992. Identified positive sentiment towards small companies and it hoped this would benefit the second half.

Saints net asset value up 16%

Nat asset value of Scottish American investment rose some 16 per cent, from 131.7p

to 152.2p, during 1992. Attributable revenue for the year amounted to £10.6m (£9.71m), equivalent to earnings of 4.73p (4.34p) per share. A proposed final distribution of 1.11p brings the total to 4.35p

Kleinwort Overseas net asset value rises

Kleinwort Overseas Invest-

ment Trust had e net asset

value of 234.64p at December 31, compared with a value of 185,39p some 12 months earlier. Net revenue increased from

£2,68m to £2,84m. This produced earnings per share of 3.54p (3.34p). The proposed final dividend is lifted to 1.8p, bringing the total to 3.3p (3.2p).

Fleming Enterprise asset value ahead

Fleming Enterprise Investment This compared with 159.6p a vear earlier.

Net revenue for the half year was sharply lower at £734,000 (£1.12m). Earnings per share dipped from 2.79p to 1.83p.

The interlm dividend is

maintained at 1.3p.

Caledonia required to buy Ralston assets

The Liquidators of Raiston Investment Trust have exercised their option to require Caledonia Investments, which owns 75 per cent of the trust, to acquire some of its

The net asset value of Raiston was £15.7m. There will be a cash distribution of 65.4p per ahare to share-holders other than Caledonia

on February 11.

This advertisement is issued in compliance with the requirements of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for, or purchase, any shares. Application has been made to the London Stock Exchange for admission of the undermentioned securities to the Official List. *Airtours*

> (incorporated in England and Wales registered number 742748) Placing with Open Offer to shareholders of 50,599,350 6.375p (net) convertible

Airtours plc is a vertically integrated holiday group comprising a tour operator, a charter airline and a retail travel agency chain.

cumulative preference shares of 20p each

Copies of the listing particulars will be available for collection during normal business hours between 12 February and 15 February 1993 from the Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court Entrance, off Bartholomew Lane, London EC2 (by collection only) and on any weekday (Saturdays and Public Holidays excepted) up to and including 25 February 1993 from Airtours plc. Wavell House, Holcombe Road, Helmshore, Rossendale, Lancashire BB4 4NB and from:

Barclays de Zoete Wedd Limited Ebbgate House 2 Swan Lane London EC4R 3TS

8 Frederick's Place London EC2R 8AT de Zoete & Bevan Limited

The British Linen Bank Limited

Ebhgate House 2 Swan Lane London EC4R 3TS 11 February 1993

The Directors of Airtours plc accept responsibility for the information set out in this advertisement. To the best of the knowledge and belief of the Directors of Airtours plc (who have taken all reasonable care to ensure that such is the case) the information contained in this advertisement is in accordance with the facts and does not amit anything likely to affect the import of such information.

Pool penne process of the process of

Treuhandanstalt **Central Tender Office** Leipziger Straße 5-7 D-1080 Berlin/Germany

85 per cent.

New York Office Tel.+1-212-8884073 Fax+1-212-8B86090 Tokyo Office TeL+81-3-35032901 Fax+81-3-35032902

In deciding among the bids, the Trauhandenstalt will take into consideration, among other things, the bid price, the business plan Interested parties are requested to perform their own research and can obtain further information without charge from the Central Tender Office of the Treuhandanstalt, The Treuhandanstalt is not responsible for the accuracy and completeness of this information. Prospective bidders will receive written authorization from the Central Tender Office to visit the plant on the basis of which an entitled person will arrange for a guided visit. S. Sids are to be submitted in a sealed envelope marked only with the name of the plant, for which the bid is submitted, Bids must be received 30 the Treuhandenstait, Lelpziger Str. 5-7. O-1050 Berlin, Germany, no later than 2 p.m. (focal time), on May 4, 1993 (the "closing date"). They will be opened immediately thereafter in the presence of a notary public, Bids must be in Doutsche Mark and shall remain valid for ninety (90) days after the

7. Bids must be accompanied by a bond of five (5) percent of the bid value in the form of an irrevocable bank guarantee valid for ninety (80) days after the closing date. The bid bond will be for letted if the bidder either letts to hold its bild open during the required period or refuses to sign a contract in accordance with its bild.

1. In accordance with its legal mandate, the Treuhandanstall Intentions

This object is sold as asset. Bids must therefore be for total asset

(building equipment, and real estate), inventory is to be valued at the time of acquisition.

2. Anyone is entitled to bid.

aned object by means of a tender.

6. The Treuhandanstalt will decide on the bids within ninsty (90) days after the closing date. The Treuhendenstatilis not bound to accept any bid and may accept a bid other than the highest. 9. To the extent that a previous owner has submitted a claim seeking return (in whole or in part) of a plant, a sale will require either the

approval of the claimant and/or a certificate of investment preference according to the respective law (InvVorG). Office hours for the Central Tender Office of the Treuh: are Monday Ihrough Friday from 9:00 a.m. unit 4:00 p.m. (local

For further tree information (plant profiles, visit authorization, etc.) please contact:

Fax

+49-30-31541278 +49-30-31542644 305141 thaz d

COMPANY NEWS: UK Simon

shares fall

warning

on contract

THE SHARE price of Simon

Engineering fell 20p to 119p

would make a £5m loss on a

Analysts vesterday lowered

and industrial services group

from between £10m and £12m

They also believe the final

dividend will be passed, giving

a total of 5p, down from last

Management was criticised

because this was not the first

time Simon had suffered cost

over-runs on a paper mill contract. The latest problems

relate to a contract to rebuild

the world's largest liner board

paper mill in Jacksonville, Florida, for Seminole Kraft,

an arm of Stone Corporation.

to between £6m and £7m.

time's 15.7p.

yesterday on news that it

\$103m (£68.2m) contract.

their forecasts for the engineering, environmental

Chinese mount reverse takeover of Stonehill

By Pnul Taylor

A PRIVATE Chinese-based property development company is coming to the London market through a £51.7m reverse takeover of Stonebill Holdings, the UK property management group which owns and manages Stonehill Business Park in north Lon-

Under the terms of the agreement, Stonehill will acquire Cathay International United investments for £51.7m in new paper from Cathay International Investment, a company set up in 1988 and owned by Mr Wu Zhen Tao, a former Beijing government official

Of the 517m new Stonehill shares which CII will receive, 117m will be placed with institutional and corporate investors in China, Hong Kong and tha UK by Marshall Securities. Stonehill, a furniture mann-

THE ADMINISTRATORS of

Polly Peck International, the

collapsed fruit and electronics group, began High Court pro-ceedings in London yesterday

against Citibank in an attempt

to recover some £75m of miss-

The suit also names the New

York-based banking group's Swiss banking subsidiary and

Confidas Finance et Placement.

a Luxembourg based associate

which provides the bank's cus-

wth continu

facturer until the late 1980s, has a market capitalisation of £2.31m and posted a reduced pre-tax loss of £170,000 (£290,000) in the six months to eptember 30.

The group's shares were suspended at its request early last month at 11p apiece.

Once the acquisition is completed Stonehill will become a subsidiary of CII with Mr Wu, who was born and educated in Beijing and has held a number of important positions in government scientific and financial institutions in China, as chief executive.

The company then plans a 2-for-1 rights issue of 42m shares to raise £4.2m which will be used to reduce borrowings and provide working capital for the new enlarged group.
in addition CII will make a
general offer for the existing
21m shares to satisfy the City

The proceedings relate to

about £75m of the £371m in

Polly Peck funds which the

company's administrators con-

tend were misappropriated by Mr Asil Nadir, Polly Peck's for-

mer chairman and chief execu-

tive. Civil and criminal pro-

ceedings are already under

According to the administra-

tors the £75m was transferred

from Citibank in London to

Zurich where it was used by

way against Mr Nadir.

zhen, China, which represents the final phase of a mixed housing, retail and commercial The hotel is due to open in June and will be managed under contract by a joint ven-

ers. The transactions bava

been arranged so that CII will

own not less than 69 per cent

and not more than 74.3 per

room Landmark Hotel in Shen-

CIU's main asset is the 346-

cent of the enlarged group.

ture company between CII and the Hong Kong-based Koppen Yan Zimmermmann group. Mr James Buchanan, Stone-hill's chairman, said the deal will enable the enlarged group

to pursue property opportuni-ties in both China and the UK. Despite closing its furniture operations the UK group has

remained highly geared and loss-making and has lacked the Coda on takeovers and merg-PPI administrators begin

poses. They also claim that "a substantial part" of the 575m was paid out through a web of offshore companies provided

and managed for Mr Nadir by

The administrators, led in

this action by Mr Christopher Morris of Tonche Ross, claim

that Citibank and the other

defendants are liable because

they knew or ought to have

Citibank said the suit would

known of Mr Nadir's fraud.

be "vigorously defended."

Confidas Finance.

On the previous occasion, Stona was also tha client. though Mr Alan Jarvis, Simon's finance director, said proceedings against Citibank the group took over the Hoya contract in Germany when it acquired Holder Pamac

Group in 1989. On the Jacksonville contract, Mr Jarvis said: "We felt we had done all we could do to avoid this situation." though he conceded that it had been "poorly costed" and was taken on a tight margin as a reference plant.

He added that Simon had lodged a "substantial" claim with Stone over "nnagreed contract variations" where specifications had been altered during the course of the work. He said that "substantial" meant more than 10 per cent of the value of the contract and that the two companies were currently in negotiations

Mr Jarvis said that as soon as a loss on a contract was recognised, it had to be written off, though he stressed that Simon was "not in danger of breaching its interest cover covenant, or indeed any of its

over the claim.

banking covenants". Simon was keen to point out that the £260m electronic equipment factory contract completed "successfully, profitably and to budget".

Correction Allied-Lyons

Allied-Lyons' pre-tax profit for its 1991-92 financial year was £610m, a rise of 28 per cent on the previous year. Yesterday's FT 500 survey wrongly indi-

New Schroder £50m split trust

Schroder Investment Management yesterday launched a new investment trust, the Schroder Split Trust,

writes John Authers. Schroders is hoping to raise £50m from the launch, which is aimed at retail investors and brokers. The trust, which years, has not been pre-placed

with institutions. The share structure includes income, capital and zero dividend preference shares. Income shares are priced at 100p and capital at 20p. The zero dividend preference shares, priced at 100p, have first call on the fund's assets, and carry a final capital cuti-tlement of 203p on January 31

LASMO has signed contracts for the sale of gas from the Kadanwari field with the gov-

ernment of Pakistan and the

Sul Soutbern Gas Company

(SSGC). Gas will be processed

on site and sold under a 15-

year contract to SSGC. The field is due on stream in 1995

and is expected to meet about 10 per cent of Pakistan's cur-

MADDOX GROUP has

acquired the principal assets and goodwill of Coventry-based

Computer Profiles and Soft-

ware Profiles for £150,000 cash

and the assumption of certain

rent gas consumption.

Benson Group

mercial Union...lin wort D'seas.....fin

Lloyda Abbay Liein

Gillette wins clearance from trade secretary for £285m Parker Pen bid

tomers with fiduciary and trust Mr Nadir for personal pur-

By Guy de Jonquières, Consumer Industries Editor

THE £285m bid for Parker Pen toiletries manufacturer, was cleared yesterday by Mr Mich-ael Heseltine, trade and industry secretary, after a Monopolies and Mergers Commission inquiry found that the deal would not operate against the

According to the MMC, Par-ker supplies about half the value of UK sales of refillable pens, while the Waterman and Paper Mate brands, which Gil-

obligations to a maximum

£50,000. Net assets of the two companies amounted to

some £100,000 at December 31

ROSS GROUP bas subscribed a

nominal sum for 49 per cent of

the motor and industrial mark-

0.1 0.25 23.65 3.2 17.3 4.12

NEWS IN BRIEF

DIVIDENDS ANNOUNCED

Dividends shown pence per share net except where otherwise stated.

1.a

lette already owns, account for

a further 7 per cent. The MMC found that any attempt to exploit its position constrained by numerous com-petitors and the hargaining power of larger retailers. The MMC was concerned

that consumers could be mis-led by retailers' use of staff deployed by suppliers but not identified as such. Mr Heseltine said the Office of Fair Trading would investigate.
The proposed Parker acquisi-

tion, agreed in September, is still being studied in the US. | cated a profits decline.

FINANCIAL TIMES

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INTERNATIONAL & BRITISH EDITORIAL, **ADVERTISEMENT & CIRCULATION OFFICES**

Alfaross, a new company regis-tered in Hong Kong and 51 per cent owned by Alfa Technology. SALE TILNEY subsidiary Spraybake has been sold by the joint receiver to FKI. Spraybake employs 89 staff making

paint spraying booths for

Weshington: Editorial 1225 Eye Street N.W. Suite 810, Washington DC 20005, U.S.A. Tat:(202) 289 5474, Fer: 202 289 5475.

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YOUR DAILY **BUSINESS BRIEFING** IN 160 COUNTRIES **AROUND** THE WORLD

Legacy of a laid-back American

Neil Buckley on the leaner Storehouse left by its departing chief

HE DAY after bis appointment as head of one of the largest department store chains in the US, Mr David Dworkin still lives up to his laid-back image. He is toying with a late lunch of baked potato, beans and coleslaw at his desk, after a work-out at the gym.

But if exercise and healthy eating have helped Mr Dwor-kin shed quite a few pounds since he arrived from the US three years' ago to head BhS, the department store chain, a similar transformation has taken place at that company and the parent Storehouse group which he took over last

Mr Dworkln characterises the change thus. Storehouse when he arrived was "amorphous, and a bit chaotic. It was non-symmetrical, a portfolio of non-related business entities."

Today, It is "unified, focused with the sama phllosophies governing the businesses."
The City seems to agree with him, and credits him with the transformation.

Storehouse shares, which hit a low of 85p in December 1991, recently touched 219p. In the last two days, the ilttera caused by the news of his departure have knocked almost 10 per cent off the shares, although analysts say the reaction may be overdone. Mr Dworkin, they say, has made the fundamental changes that were required, and set the company back on course.

The 49-year-old American has sometimes been ruthless. To cut costs, he sacked 900 peo-ple, and got rid of the "legions and layers, all the fluff and the nonsense," removing four layers of management.

Some functions were contracted ont, old stock was sold off cheaply, and the image of BhS was rethought, with better use made of displays and space, and brighter stores.

There were mistakes, but the strategy worked. Year-on-year sales increases have run at



about 8 per cent for the last 16 months, and margins have also

Last summer, Mr Dworkin rose to head the Storehouse group. Officially, this was due to the fallure of then chief executive Mr Michael Julien to throw off a lingering virus, but some accounts suggest Mr Dworkio may have been threatening a return to the US The slimming down of the

business continued. The Habi-tat and Richards chains were sold, leaving Storehouse focused on BhS and Mother-

Mr Dworkin appointed Ms Ann Iverson, a colleague from his days at Bonwit Teller, the US stores group, to head Mothercare and introduce BhS-

style reforms. The process is far from complete. Mr Dworkin claims that while Storehouse's total floorspace is 7m sq ft, 3.6m of which "fallow", waiting to be "recap-

tured" for trading.

He planned to stay at least another year. But two weeks' ago the call came from Carter Hawley Hale. The stores chain, based in

the western US, had beco looking for a new chief executive since last October. It was too tempting to refuse. "The set of circumstances tbat appealed to me when !

arrived here exist at Carter Hawley," Mr Dworkin says. "It's the thrill, the challenge, the excitement of having some thing major to accomplish. It is a bit of an ego thing."
There were also family rea-

sons. Mr Dworkin wanted to be reunited with his two daugbters in the US. Carter Hawley's 83 department stores sell fashions to

forniture and household goods, under the names The Broadway, The Broadway SouthWest, Emporium and Weinstocks.

The Broadway name, Mr Dworkin says, enjoys a similar reputation in California to Marks and Spencer in the UK.

Rising debts, however, led the group to seek chapter 11 bankruptcy protection in 1991. It began to reorganise and slim down, and emerged from chap-ter 11 last October with 16m sq ft of selling space, including many prime locations.

The group is already profit-able and has a high turnover, but is rudderless. "\$2bn sales a year without a

game plan is a lot of business," remarks Mr Dworkin. He sees his role as similar to that at Storehouse: providing leadership, removing the fat and

devising a strategy. Storebouse, meanwhile, Is looking in both the UK and the US for a replacement, It is stressing the need for continuity, but says the new chief is likely to come from outside the

Mr Dworkin looks back with some satisfaction, "I would be less than honest if I said I wasn't proud. How many managements tried to turn around BhS? It was supposed to be the

COMMERCIAL UNION

TWELVE MONTHS' REVIEW AND RIGHTS ISSUE

A year of substantial progress

- ★ Improvement of £100m in the operating profit before taxation.
- ★ Strong premium growth in United Kingdom general insurance as conditions improved.
- ★ New life premiums increased by 46% with good growth from all territories.
- ★ Shareholders' funds £1,501m.
- **★** Dividend for the full year increased by 3% to 24.35p.
- ★ The Group has announced a rights issue to raise £428m to enable it to take full advantage of opportunities for profitable growth in life and general markets.

·	
l2 months 1992 Jnaudited	12 months 1991 Audited
£5,572m	£4,107m
£31.4m	£(68.6)m
£236.1m	£(15.5)m
4.0p	(15.0)p
24.35p	23.65p
£1,501m	£1,210m
	1992 Jnaudited £5,572m £31.4m £236.1m 4.0p 24.35p

Note: Profit attributable to shareholders includes realised investment gains after taxation of £213.2m (1991 gains £49.8m). Substantial gains were realised in the second quarter on investments in the United Kingdom, including certain investments held for the longer term. The proceeds from these realisations were reinvested so that the composition of the Group's investment portfolio was left substantially unchanged but at a rebased cost. These actions had no material effect on overall shareholders' funds.

The proposed final dividend of 15.10p per share (1991 14.40p) will be paid on 17 May 1993 to shareholders on the register at the close of business on 11 March 1993. The proposed final dividend will cost £67.5m (1991 £63.3m). Sharcholders will be offered the choice of receiving fully paid ordinary shares, rather than cash, in respect of all or part of the final dividend. Details will be circulated to shareholders on 26 March 1993. The new ordinary shares in respect of the rights issue will participate in all future dividends; they will not, however, rank for this final dividend.

This announcement does not constitute full Group accounts for the year. Copies of the full Group accounts, which have not yet been reported on by the auditors, will be circulated to shareholders on 26 March 1993 and delivered to the Registrar of Companies after approval at the Annual General Meeting which will be held on 20 April 1993. Members of the public may obtain copies of the accounts after 26 March from Commercial Union plc, Shareholder Relations Service. St. Helen's, 1 Undershaft, London EC3P 3DQ (telephone 071-283 7500 ext 28866).

PUBLIC WORKS LOAN BOARD RATES

BOARD MEETINGS Mar, Feb. 1 Feb. 1 Feb. 2 Ceb. 1i Feb. 19 Apr. 22 Mar. 4 Mar. 4 Mar. 5 Feb. 10

564 677 744 812 89 5865877778888 Over 3 up to 4 Over 5 up to <u>6</u>

Kuwait claims big oil production rise

By Mark Nichnison in Cairo

KUWAIT'S Oil production has leapt by 210,000 harrels a day in the past few weeks to 1.98m barrels e day, according to Mr Ali al-Baghli, the country's nil minister, who said any cut from that level would be "pain-

The minister, quoted in Kuwait's al-Anba newspaper, denied that the recent rise in production had contributed to slippage in the oil price and said Kuwait would discuss the proposals for the Organisation of Petroleum Exporting Cnuntries to cut output during this weekend's meeting "with understanding and reason".

But the minister's comment that "a reductinn would be painful for us" signels Kuwait'e determination to retain output at ievels as near present productinn as possible and resist pressure from fellow Opec members to subscribe to a ceiling much beinw 2m b/d.

For the last Opec agreement in November Kuwait undertook to produce 1.5m h/d and raise production only as mar-ket conditions allowed. Yesterdey's figures, bnwever, are well ahead of the oil ministry's previously stated targets for 1993, which put nutput at 1.85m h/d in the second quarter, 2.05m in the third and 2.15m h/ d in the fourth. Kuwait'e pre-Gulf war quota was 1.5m h/d,

Industry analysts viewed Mr

al-Baghli'e figures with some scepticism, suggesting that Kuwait's output was likely to be nearer the 1.778m h/d he announced in late January. "A figure of nearly 2m is a hit of posturing," sald Mr Fareed Vinhammedi, an analyst with Petrolsum Finance Company in Washington. "The issue is where Kuwait is going to cut from, and they don't want to cut from 1.5m b/d, they want to cut from 1.9m b/d."

Last montb's tour among Opec members by Mr Alirio Parra, the cartei's president, produced broad agreement. between Iran and Saudi Arabia in particular, that the organisatinn should seek to trim at least 1m b/d from its overall nutput to support prices, with the Saudis suggesting that the cuts should be pro-rata from

Mτ Gboiamresa Agazadeb, Iran's oil minister, was quoted yesterday on Tehran Radio as saying that the cut should be from Opec's nominal, hut abused, ceiling of 24.58m b/d reached at its last meeting in November to 23.5m b/d. But be said that such a cnt wnuld merely sustain prices at pres-ent levels and that he would enter this weekend's meeting calling for a cut of more than 1m b/d. Most industry figures put Opec's actual present production at more than 25m b/d.

Price rise for rough diamonds

ROUGH DIAMOND prices are going up for the first time in nearly three years. De Beers, the Sonth African group that controls about 80 per cent of the rongb (uncnt) diamond market, announced yesterday that it would be changing its prices and assortments from next Monday to produce an overall increase of 1.5 per

Analysts suggest that this is another sign that De Beers has regained control over the mar-ket after a year when its grip seemed threatened by deep recession in many industrialised countries and an upsurge in smuggling out of Angola.

Last antumn the group told producers to cut agreed deliveries by 25 per cent as it struggled to bring snpply and lemand back into balance. De Beers' London-based Cen-

tral Selling Organisation said yesterday demand for particular categories of rough stones had recently been strong. "We think this will be sustained the market can absorb the price increase relatively eas-

Mr Michael Coulson, analyst at Credit Lynnnaise Laing, snggested: "The crisis has passed for the diamond market for the moment. De Beers obviously thinks the market has

By Kenneth Gooding, Mining Correspondent

R KARL WUBBE admits he seriously underestimated the ability of the Russian aluminlum industry to keep production going against all the odds. "At the hegining of 1992 I thought their industry would collapse because of raw materials shortages," be recalls. instead, the smelters in the Commonwealth of Independent States are estimated to have produced about 3.1m tonnes of the metal last year, close to the industry's capacity of between 3.5m and 3.6m tonnes. Much of that aluminium poured into western Europe, the nearest hig consuming

That produced shartages in the CIS itself, even though the chaotic conditions there cut demand for aluminium eubstantially. For example, fish canning industries in Russia and the Ukraine were particularly vocal about aluminium shortages - among other things, the metal is used for canning caviar.

market, where it was paid for

in currencies much more sta-

ble and desirable than the rou-

So both the European industry and the CIS antborities have good cause for concern about the continuing high level of aluminium exports.

Mr Wnbbe, management board director responsible for aluminium production at VAW of Germany, says that during a recent visit to the CIS: "We got the feeling that the Russian aluminium industry wants to contact the European industry to find ways of improving the situation. They understand tbat most [west European] smelters are not making mnney. I feel they are now more willing to take part in The question remains, how-

ever, who will do the talking for the CIS industry? There is a great struggie going on about who sbould have control of the industry

and take important decisions on its behalf. Much of CIS aluminium production has been controlled for the past two years by Concernalumini but that organisation now has a (£41) a tonne in place at the primary aluminium industry not go unchallenged. Mr Tony



tarnished image, having failed to provide the hoped-for invest-ment for modernisation. Now the power seems to be switching to a new Russian state organisation: the Committee for Metallurgy. This body has its own Committee for Aluminium with Mr Gregory Maslov at its head. Mr Maslov therefore seems likely to emerge as the most powerful individual in the CIS aluminium industry. to Ecu460 a tonne.

However, the recent turmoil has given individual smeiter managers much more power simply because they have the metal and the money it produces, And smelter managers are already at odds with the new state organisatioo about the terms for privatising the aluminium industry. They want 51 per cent of the shares in each smelter to be distributed to employees, 25 per cent to the local authority and 24 per cent to the state body. Mr Maslov and his committee want 51 per cent, leaving 25 per cent for local authorities and only 24 per cent for employees The Russian parliament will

Meanwhile, Russia has signalled that it wishes to cut aluminium exports by raising tariffs steeply this year. Compared with tariffs of Ecu50

decide this contentious issue in

end of 1992, the tariff for exports of primary aluminium has been lifted to Ecu130 a tonne and that for metal used in barter deals is up to Ecu205. To close a lcophole that has allowed large quantities of metal - not just aluminium to be exported under the guise of "scrap", the tariff on aluminium scrap has been bumped up

Aluminium flood rings alarm bells in CIS

ore aluminium is being shipped nut to the US and Asia rather than Europe but, even though US import duties have been removed and the metal attracts a 6 per cent duty wben entering the European Community area, the Russians say it is still cheaper to deliver to Europe and the London Metal In spite of the Russian

efforts, European aluminium producers seem to have lost patience and are urging the European Commission to take

Mr Dick Dermer, president of the the European Aluminium Association, says that the market is being seriously distorted hy CIS exports, which are "endangering the viahility of the European aluminlum

"The European Community

has for the past two years been operating at a loss as e direct result of the distortion in the aluminium market created hy the dramatic and unexpected increase in exports from the CIS since 1990," he suggests.

His association started monitoring imports at the begining of 1992 and estimatee that 600,000 tonnes of CIS aluminium reached the EC last year. up from 450,000 tonnes in 1991 and an average of about 82,000 tonnes a year before 1990. The European producers say

CIS imports bave depressed

aluminium prices on the Lon-don Metal Exchange - the most widely-used guide to world prices - and forced the European industry to make expensive production cuts. Europe accounts for about 25 per cent of world aluminium supply but is making a disproportionately large sacrifice as the industry cuts back because of low prices - 80 per cent of the 1.1m tonnes of world capacity that has been shut down is in Europe.

Mr Dermer says "the industry has no other option than to demand that the European Commission installs a transitional period of safeguard measures with regard to alumin-ium from the CIS".

He will given no details but other European executives say the industry wants the com-mission to limit CIS imports to 82,000 tonnes a year, the "nor-1990, and it wants those quotas to include secondary (scrap) metal. Once that protection is in place, the EC authorities should jointly discuss how CIS producers could be helped "to adjust their sales and pricing policy to the market economy rules and mechanisms," says Mr Dermer

The EC should help the CIS to stimulate a revival of its domestic aluminium consumption, to rationalise and mod-ernise existing facilities and to develop a workable legal system. "The community's primary aluminium industry is willing to assist in that process," he adds.

However, these proposals do

As exports have soared shortages have appeared at home, writes Kenneth Gooding Bird of the Anthony Bird Associates consultancy group, sug-gests that, not only would a quota system probably be illegal (Russia cannot be accused of dumping because its production costs are the lowest in the world and it is not selling aluminium at a higher price in its domestic market than in the west) neither would it work.

Mr Bird says: "Aluminium is a commodity. Russian aluminium is almost the same as anyhody else's sluminium. The market for aluminium does not work in the same way as the market for cars or photocopiers. If it is displaced from one market, it can flow easily into another. So, if CIS metal is not allowed to eoter the EC, it can instead be sold in a third country, which will then ship its own metal to the EC to com-

VAW's Mr Wobbe says CIS producers are keen to modernise their smelters hut they want to pay back loans with the aluminium produced and banks are very reluctant to provide any cash while aluminium prices are as low as they

VAW is working on a feasihility study for the modernisa-tion of the Novokuznetsk smelter in Siberia. A new facility would he built alongside the existing smeiter, which would be closed only once the new one was ready. This would boost output from 180,000 to 250,000 tonnes. The Russians want VAW to consider similar schemes at other smelters.

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NEW HIGHS : LOWS FOR

iouny surplies.

Mr Wohbe says the Novokuznetsk feasibility study (which the Russians are paying for) will be completed in May. "The problem then is to finance the project. The smelter is looking for a financial partner, l believe we can find the finance, hut at present aluminlum prices of \$1,200 to \$1,250 a toune the profit would not be high. A higher aluminium price would certainly help.

"The [Russian metallurgy] committee understands the effect exports are having on prices and that's why It wants to strengthen its grip on aluminium - and all other raw

Gatt to set up banana row panel

By Frances Williams In

LATIN AMERICAN hanana producers yesterday stepped up their fight against the Euro pean Community's present and future banana import policies within the General Agreement on Tariffs and Trade.

The body's governing council agreed to set up an independeot disputes panel to examine whether the existing restraints on imports of "dollar" bananas operated by five EC member states breach international trade rules. The panel will report hy the heginning of May, under expedited procedures following the hreakdown of talks under the "good offices" of Mr Arthur Dunkel,

the Gatt director-general. Meanwhile, the five banana producers involved - Colombia, Costa Rica, Cuatemala, Nicaragua and Venezuela - have served notice that they will challenge in Catt proposals for an EC-wide hanana import regime, which are due to come into force on July 1. They claim the measures will cost them 51hn in iost export earn-

EC farm ministers were last night still unable to unblock proposals they agreed in principle in December to set quotas and tariffs on banana imports from Latin America, writes David Gardner in Strasbourg.

A hiocking minority made up of Germany, Denmark and the Benelux countries looked set to drag proceedings late into the night. Mr Rene Steichen, EC farm commissioner was holding firm to the proposals and the March 1 deadline to endorse them legally. The plan would fix a 2m tonnes quota on Latin American imports at an Ecu100 (£82) a tonne duty, with fruit imported above that level attracting an Ecu850 tariff.

Strong pressure was being brought to bear on the Netherlands and Belgium to agree the measures, as they had done in December, and the Dutch and Belgian ministers were understood to be seeking instructions from their governments. ings over the next two years. cil the new Community rules

The proposals, approved hy EC ministers last December hut still to be confirmed, would impose a probibitive tariff on Imports of dollar hananas beyond a 2m tonne quota while allowing unrestricted duty-free imports from higher-cost Caribbean suppliers with EC treaty ties. Latin American hanana exports to the Community have expanded rapidly in recent years, rising to about

2.6m tonnes in 1992. By the time the report of the panel set up yesterday has been adopted by the Gatt coun-

may have already superseded the patchwork of restrictions now operated hy Britain, France, Spain, Portugal and Greece. But the Latin American producers believe that a May panel verdict in their favour would help clear a legal pathway for a similar verdict later on the new measures. These, they allege, violate existing Gatt ohligations, run counter to draft rules on farm trade under negotiation in the Uruguay Round of global trade

talks, and threaten them with

COCOA - London FOX

economic devastation.

US farmers seek protection against Canadian pasta wheat

strange twist with US farmers pressing for action against Canada's fast-rising share of the US domestic market for durum wheat.

threatened retaliatory action against Canada after a bilateral panel set np under the ers.

review hy an independent audi-

Senator Max Baucus of Montana has introduced a Bill that would give Washington author-Several US senators have ity to impose special tariffs on Canadian wheat and require extra paperwork from import-

WORLD COMMODITIES PRICES

da's second biggest customer after India. Canada exported virtually no durum, which is used mainly for pasta, to the US before 1990; oow it has about a quarter of the market. The cut-throat price war in offshore markets has made the

unsubsidised US domestic mar-

By Bernard Simon in Toronto 1989 free trade agreement ruled this week that pricing methods US imports of durum from the description of the most lucrative spokesman yesterday ascribed for Canadian exporters. Spokesman yesterday ascribed for Canadian exporters. tonne bonus under its Export

Enhancement Program for a shipment to Algeria, which has traditionally been among Canada's biggest durum customers. The Algerians paid about \$110 per tonne f.o.h., compared with the US domestic price of \$150. A Canadian Wheat Board

THE INTERNATIONAL grain used by the Canadian Wheat tonnes in the final four months subsidy war has taken a Board were acceptable pending of last year, making it Canalast year provided a US\$40 per quality product, which milis consistently from shipment to shipment." In addition, pasta's fast-growing popularity has raised per-capita consumption.

The free-trade panel urged the creation of a joint working group to oversee regular audits of Canadian durum shipments

MARKET REPORT

LME COPPER prices were dapressad by Tuasday's unconvincing chart close, and aasad back undar stala bull liguidation. Naws that Polish copper minars had called off a strike alart undarlinad baarish santimant, ZINC Iall below important eupport around \$1,110 for three-munth metal. undermined by the abeence of **ALUMINIUM** want into ravaraa after news of an unaxpected 17,000 tonne rise in Decambar IPAI producer stocks. Also, thare le hasyy technical rasistanca

above \$1,240 for three-month

POT MARKETS								
Crude oil (per barrel FOB)(Mar) + or -								
hubal	816.07-6.15	+ .165						
irent Blend (dated)	010 42-8.45	+.150						
rent Blend (Mar)	818.37-8.43	+.150						
V.T.i (1 pm esi)	\$20.25-0.29	+ .220						
M products								
WE prompt delivery per	tonne CIF	+ 01						
remium Bascline	\$194-196	+1.0						
ies Oli	5175-176	+2.0						
logvy Fuel Oil	\$71-72	+05						
aphtha	\$176-177	-0.5						
otroleum Argus Estimates	1							
ther		+ or -						
iold (per troy oz)	\$330.1S	+2.8						
liver (per troy oz)	373.5c	+ 4.0						
letinum (per troy ez)	5366.00	+5.18						
elladium (per troy oz)	5117.00	+ 2.05						
opper (US Producer)	104 Sc	•						
ead (US Producer)	33.5e							
in (Kusla Lumpur market)		+0.81						
in (New York)	269.0c							
inc (US Prime Western)	62.0c							
anto (live weight)	122,236	+1.74						
hoep (kve weight)†&	181.240	+7.28						
igs (live weight)†	81.94p	+0.33						
ondon daily sugar (raw)	\$209.8	+1.4						
onden daily sugar (white)		+25						
	C254 5	-05						
arley (English lead)								
laize (US No. 3 výřígm)	2139.02 2165.0	+ 1.25						
Mest (US Dark Northern)	Linea.u Ung							

1 Feb) 237.5m

se stated, p-pence/k

metal. NICKEL aased under technical liquidation, lacking lollow-through to recent invastment fund intarest. But pricas haid stabla around the Inws. Robusta COFFEE futures finished with geine ni \$17 to \$25 a tonna on kay positinns, but were below the day's higha as tha markat continued highly vnlatila. Dealers sald technical factors ramained dominant.

	l – Lond	en POX	ı5 per k
Raw	Close	Previous	High/Low
Mar May	187.00 192.00	183.00 192.00	197.00 182.00 191.00
White	Close	Previous	High/Low
Mar Mav	200.00	253.10	260.00 252.50
Aug	262.00	255.70 259.20	280.00 255.00 282.10 258.50
Oct	247.80	245.00	247.00 243.00
Dec Mgr	246.80 244.00	245.00 248.00	245.00 244.00
Mar 14	54.11 May	1467.28	of 00 tonnes.
	OIL - IF		Ş/b
Mar	10.38		18.55 18.35
Apr	18.45		18.53 16.40
May	18.48		18.54 15.48
Juñ Jui	18.96 18.60		18.66 18.56 18.67 18.60
Aug	10.65	10.40	12.67 18.65
Sep Oct	18.69 12.68		18.80 18.69 18.70 18.65
Nav	18.70		18.70
PE Ind		18.39	18.27
Turnove	≥ 37967 (4	13960)	
DAS O	L – IPE		\$/14
	Close	Previous	High/Low
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war Nor	172.00 171 50	170.50 169 00	173.00 171.00 172.25 170.75
Дау	171.00	168.75	171.50 171.00
lui lui	170.50 172.50	168.50 170.25	171.25 170.50 172.50 172.00
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	ondon FO	
Close	Previous	High/Low
44.0	43.9	44.0
46.0	46.5	46.1
		X E/tenn
	1101000	162.00
		162,000
	148,50	148-20
T = 1c=	PA	C100mday
		\$10/Index poin
C7060	Previous	High/Low
1340	1345	1345 1335
1350	1365	1365 1347
1336	1345	1350 1335
	1195	1190 1180
		1315
(00		
		£/tonne
Close	Previous	High/Low
	143.25	143.00 142.80
	144.60	144,30 143,60
113.10	113.45	113.40 113.10
C7cse	Previous	High/Low
	138.10	138.10 137.90
139.10 109.75	150 (50	139.10
		168.10 108.75
Wheat lots of 1	144 (142), (100 Tonnes	Barley 118 (45).
	44.0 46.0 22 (129 EA1. — II Close 162.00 157.00 149.20 250 (00 II — Lond 1340 1350 1336 1135 265 (82 — Lond Close 142.70 143.80 113.10 113	44.0 49.8 46.0 46.5 22 (129) loss of 20 46.5 22 (129) loss of 20 162.00 157.00 157.00 157.00 157.00 158.00 159.00

Close Previous High/Low 106.0

101.0

102.0

106.8

	Close	Prev	vious	High/Lo	w	AM Officia	l Kerb e	close C)pen int
Afuminjum,	99.7% purk	y (5 par	tonne)					uty turnov	_
Cash	1215-6		0.5-20.5		_	1218-9			
3 months	1296-7	1241		1243/133	15	1239.5-40	1236-7	1	70,713
Copper, Gra	de A (£ per	tonne)					Total da	ily turnav	er 35,7
Cash	1556-7	1562		1548	_	1545-9			
	1579-80	1585		1579/150	19	1571.5-2.0	1580.5		58,235
Lead (E per							Total d	arly turno	wer 2,6
	290.5-1.0 300.300.5		5-8.5 5-9.0	301/299		289.5-9.78 289-9.5	300-1		7,884 10
Nickel (5 pe				3017233		200-0.0			
	8010-20	0110	L10	8003/600		0003-5	10001 6	ally turno	Ver 8,40
	8070-60	8170		6140/606		8063-5	6060-70		3,630 ta
Tin (\$ per to	nne)						Total d	ally turno	ver 1,84
	5830-40	5830		5822/582		5822-5			
	5890-800	5690		5895/588	<u> </u>	5885- 0 0	5880-6		,984 lob
Zinc, Specia							Total da	ily turnov	er 10,90
Cash 3 months	1085.5-6.5 1105.5-6.0	1092	15-3.5	1086/108		1084-5 1104-5	1105-6		E 202 I-
LME Closing					_	110-3	1105-6		5,363 lo
SPOT: 1.425	3	3 топ	ths: 1.4	1181	0	months: 1.	4065	0 11	nonths:
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LONDON B	ULLION MA	RICET			11	ew 1	/auk		
(Prices supp			ichild)			GM I	OFK		
Gold (troy o	z)				901	D 100 mm			
	\$ price		£ equiv	rs/eni	401		oz.; \$/troy		
Close	330.00-330				_	Ciose	Previous		
Opening Morning fix	328 50-326 328.70		229,139	1	Feb Apr	333.4	329.4 329.6	333.6 333.8	330. 330.
Afternoon fix	329.85		230.858		Jun	335.1	530.8	335.3	331.
Day's high Day's low	330.15-330 328.40-328				Aug	336.4 337.0	332.1	336.8	333.
			B-1 '	14- 1900	Oct	339.4	333.8 355.1	337.9 339.5	335. 336.
Loco Ldn M					Feb	341.0	338.7	341.9	335.
1 month 2 months	2.10 2.18	6 mo	onths	2.17 2.30	Apr	342.8	338.5		
S months	2.17				PLAT	TINUM 60	roy az; \$/tr	oy oz.	
Silver fix	přtray oz		US ota	equiv		Close	Previous	High/Lo	~
Spot	258.48		371.25	-	Feb	359.8	359.8	0	0
S months	259.20		373.00		Apr	370.5	367.6	372.5	369.
0 months	265.55		376.96		Jul Oct	369.0 367.6	365.1 363.8	370.0 367,5	368. 367.
12 months	272.05		383.75		Jen	368.0	361.6	386.0	366.
	_				SHV	FR 5 000 :	roy oz; cent	s/trou oz	
COLD COM		_			_	Close	Previous	High/Lo	
	\$ price		£ equi		Feb	375.6	369.5	0	
Krugerrand	329.60-3		530.00	232.00	Mar	378.2	370.0	378.5	0 370.1
Mapie lee! New Soversi	339.85-3 an 78.50-81		54.00-8	8.00	May	378.8	372.5	379.5	373.
	3	•			Jul	381.2	374.8	382.0	380.0
TRADED OF	TIÓNS				Sep Dec	383.7 367.4	377.2 380.8	383.5 388.0	379.0 382.0
Aluminium (9		Calls		Puts	Jan	388.3	381.8	0	8
	$\overline{}$				Mar	391,7	395.2	393.0	390.0
Strike price :		Jun	Mar	Jun	May Jui	394.5 367.6	388.8 391.0	396.5	395.5
1200	38	63	8	18				~	
1225 1250	15 0	47 34	10 32	25 37	ш		OPPER 25,		
		 Cetis		Puts		Close	Previous	High/Lo	w
Copper (Grad					Feb	96.70	99.36	99.25	98.6
2200 2250	46 19	82 66	12 35	41 65	Mar Apr	96.95 99.30	99.70 100.05	89.60 8	98.80
2300	5	36	71	84	May	99.80	100.35	100.40	99.00
					Jun	99.85	100.60	100.00	100.6
Coffee	Mar	May	Mar	May	Jul	100.10	100.80	100 85	100.3
150	51		3	30	Aug Sep	100.35 100.00	101.00 101.20	101.20 101.30	101.2 101.3
900	16	43	18	54	<u> </u>		ht) 42,000 l		
<u> </u>	3	26	55	87					
Cocce	Mar	May	Mar	May	_	Latest	Previous	High/Lo	
	46	71	-	13	Mar	20.21	20.06	20.45	20.20
	24	54	8	21	Арт Мву	20.20 20.20	20.04 20.05	20.43 20.42	20.20 20.20
75 '00	9	39	13	3 1	Jw	20.26	20.07	20.41	20.25
			A	Ne:	Jul	20.25	20.10	20.40	20.25
700 725 	4	Man.		Mey	Aug	20.23	20.12	20.49	20.29
00 25 Irent Crude	Арг	May	Apr			20.30	20.15	20.44	20.20
25 Reent Crude 800	00	May	•	42	Sep Oct	20.30 20.37	20.15 20.17	20.44 20.37	20.32
'OÇ					Sep				20.30 20.32 20.37 20.00

	WO 0	42,000 US g	ulla assats	IIIO aalla	- 01	-1			
MEAII	Letost	Previous				nicag			
Mar	06.00	56.34	57.55	58.80	- SOY	ABEANS 5	,000 bu min;	cents/601b (bushel
Apr	66,35	55.99	87.05	66.35		Close	Previous	High/Lov	,
May	66,60	55.32	55.20	55.60	Mar	568/6	568/2	569/4	567/4
Jun Jul	65.40 65.80	54.97 55.07	55.75 56.00	55.40 55.50	May	571/6	570/6	572/2	570/4
Aug	56.15	55.62	56.50	00.00	انىك	576/6	57&O	577/2	575/4
Sep	58.72	56.79	0	0	Aug	578/2	578/2	579/2 579/2	576/6
Oct	87.72	67.72	0	0	Sep Nov	579/4 588/2	579/0 668/4	580/0 587/0	579/0 585/0
Nov Dec	58.52 59.90	56.52 59.32	0	0	Jen	594/2	592/6	584/4	582/6
					Mar	001/4	600/0	602/0	601/4
coco		ee;S/tonne			SOY/	ABEAN OR	. 60,000 lbs;	cents/lb	
_	Close	Previous	_		_	Close	Previous	High/Low	,
Mar	889	887	898 932	883	Mar	20,79	20.56	.20.86	20.64
May kul	922 060	918 945	960	015 945	May	21.02	20.92 .	21.10	20.89
leo	978	973	955	075	Jul	21.21	21.10	21.28	. 21.10
Jec	1010	1007	1015	1007	Aug Sep	21.28	21.18	21.35	21.23
Asr .	1039	1036	1001	1040	Cct	21.34	21,22 21,25	21.38 21.48	21.29 21.23
day lui	1060	1057	1060	1060	Dec	21.46	21.36	21.50	21.40
iui Sep	1080 1107	1077 11 0 4	1090 1113	1090	Jan	21.50	21.42	0	0
)ec	1145	1146	1139	1100	SOYA	BEAN ME	AL 100 tons;	Stron	
		,500ibs; ce				Close	Previous	High/Low	
					Mar	177.7	178.2	178.7	
	Close	Previous	High/Low	_	May	178.8	179.4	179.7	177.4 178.5
/ar	61,65	59.30	01.00	58.30	Jul	100.7	181.1	101.4	180.5
Asy	85.85	63.85 65.80	66.00	62.80	Aug Sep	181.6 182.0	182.0 183.0	182.4	181.5
ul Sep	67.96 70.00	87.60	00.00 70.00	64.70 66.50	Oct	183.8	184.0	184.2	182.4 183.6
)ec	72.75	70.50	73.00	70.00	Dec	185.7	186.1	186.2	186.5
lar .	76.00	73.00	0	0	Jan	186.5	186.7	0	0
Azy	78.55	75.30	0	0	MAIZ	5,000 bu	min; cents/5	6lb bushel	
UGAF	WORLD	711" 112,0	00 lbe; cen	te/ibs		Close	Previous	High/Low	
	Ciose	Previous	High/Low		Mer	213/4	213/4	214/2	212/8
					- May	221/2	221/2	222/0	220/6
lär	8.67	e .15	8.50	8.53	Jul	226/4	225/4	229/2	226/0
lay ui	9.14 0.24	5.54 8.86	9.20	8.84	Sep	234/4	234/0	235/0	234/0
id:	8.92	8.68	9.34 8.95	8.96 8.73	Dec . Mar	240/8 247/4	240/2 246/8	241/2	239/6
ler	8.83	8.67	6.90	8.80	May	251/6	251/2	247/4 251/0	246/2 251/0
lay	8.52	8.72	8.85	8.85	Dec	250/0	249/2	250/0	250/0
uš	8.85	8.79	0	8	WHEA	T 6,000 bu	min; cents/f	306b-bushel	
опо	N 50,000	cents/lbs				Close	Previous	High/Low	
	Close	Previous	High/Low		Mar	368/0	367/0	368/2	364/2
	82.26	60.25			- May	345/0	343/5 1	345/6	342/2
ler ley	63.18	81.15	62.25 63.10	60.25 61.15	Jul	325/2	322/4	326/0	322/ 0
ul .	63.86	81,95	83.95	62.05	Sep	329/2	327/0	329/6	325/4
₩.	83.13	61,80	63.10	82.00	Dec Mar	337/0 341/4	334/2 338/0	338/0 8	333/4
ec	82.12	61.10	62.1S	81.25					<u> </u>
ler 💮	82.80	81.95	62.80	61,87	LIVE C	ATTLE 40,	,000 libs; cen	ts/lbs	
	63.50	62.60	0	0		Close	Previous	High/Low	
#	64.03	63.12	0	0	Fab	81.800	90.950	81.875	81.225
RANG	E JUICE	15,000 lbs;	cents/lbs		Apr	79.650	79.050	79.725	79.300
					Jun	73.650	73.526	74.060	73.800
	Close	Previous	High/Low		Aug	71.775	71.625	72.000	71,650
ar	87.70	68.00	68.20	66.00	Dec	73.078 73 800	72.975 73.475	73.300 73.575	72.000 73.450
	71.40	70.20	71.90	70.20	Feb	81.600	50.85 0	81,675	81.225
	74.50	72.60	75.00	73.20					
	77.80 80.60	77.00 79.95	79.00 81.30	77.50 81 95			O lb; cents/l		
	84.30	83.50	85.00	81.95 84.05		Close	Previous	High/Low	
ėr i	87.05	85.00	87.05	87.00	Feb	44,775	43.750	44 850	43.925
zy i	87.06	66.25	0	0	Apr	44 825	43.550	44.950	43,900
ıl I	87. 0 5	86.25	0	0	Jun	49.775	48.625	49.600	49.000
					Jul Aug	48.850	47.750	48.850	47.830
INDN	CIES				Oct	48.200 41.800	45.500 41.250	46 350 41,800	45.650 41.350
REUT	ERS (B	159:Septen	nber 18 11	931 =	Dec	42,900	42,500	42.925	42,650
100)					Feb	42.800	42.600	42.800	0
	Feb 10	Feb 0	mnth ago	yr 890	PORK !	BELLIES 4	0.000 lbs; ce		
	1743.1	1735.9	1711.4	1565.0					
DOW.		Base: Dec.			=	Close	Previous	High/Low	
					Feb	38.960	35.750	37.600	36.200
	Feb 9	Feb 8	mnth ego	_	Mar May	37.125 38.225	36,225 37,125	87.825 38.875	36.600
pot	122.60	122.00	123.73	118.75	Jul	35.425	ෳැ.1ක 87.38û	38 875 39.025	87.450 37 950
Jurei	123.77	122.85	I23.1)	121,90	Aug	37.250	36.150	37 600	38.500

THE UK SERIES

FT-A ALL-SHARE

1374.08 - 7.30

view %

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6.08 6.38

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20:39 19:92

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LONDON STOCK EXCHANGE Share prices continue to give ground

By Terry Byland, UK Stock Market Editor

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BID speculation provided the few firm features yesterday in a UK stock market where caution on the near-term outlook still prevailed. The latest of the expected flow of rights issues - a call for £428m from Commercial Union and a very small

fund-raising from Stonehill were taken comfortably but the conglomerates sector was on alert for a convertible issue this morning.

Investors now face a heavy run of trading statements from the leading names of British industry, beginning today with British Petroleum, BT and BOC Group.

Equities opened lower but rallied well until one UK house began to sell the March contract on the FT-SE 100 Index which quickly collapsed to a discount against the underlying stock market.

Share prices quickly followed suit as the securities house unloaded blue chip stocks. The pace was set by a sharp fall in Reuters in London after the shares had been hit hard on

Wall Street overnight. At worst, the Footsie was more than 21 points off with London looking nervous as New York opened lower. But the initial fall on the Dow industrial Average was trimmed to 2.97 in UK hours, and late weakness in sterling

was again interpreted as good for Britain's export stocks while not inhibiting chances of a base rate cut in the Budget in March.

The FT-SE 100 closed at 2,816.4, a net 14.9 down, with the 2,800 mark still unchallenged, at least for the time being. Profit-taking spread across the range of the stock market and the FT-SE Mid 250

Votate Closing Day's 800's Price change

Burneth Control
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Cathle & Wire.
Cathle & Wire.
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Calor Group
Carlton Cooms.
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Europarted Units

Seaq voluma slipped to bank will ease policy in the 16.1m shares from the 694.8m face of a slowing economy in 616.1m shares from the 694.8m recorded in the previous session; Tuesday's retail husiness was worth £1.58bn, in the higher range of recent daily averages.

The renewed weakness in the pound is working to the benefit of share prices in London, according to Mr Marcus Grub at Salomon Brothers. He Index weakened 17.9 to 3,001.9. also believes that the Bundes-

TRADING VOLUME IN MAJOR STOCKS

Germany. The setback in sterling which followed the currency's exit from the ERM network provided a mirror image of the rise in the UK stock market hetween September

and December last year. The mood in equities appeared less negative yesterday than on Tuesday, and the overall picture was more irreg-

| Second Description | Second Description | Second Principant | A 200 | Second Description | Second Principant | A 200 | A

ular than the fall in the Footsie might suggest. Oil shares, which have been very firm for some days, encountered cautious profit-taking as the sector braced itself for trading figures today from BP. Food retailers. casualties in the recent selling bout, found buyers.

Bank stocks were firmer but the impetus here came from speculative activity rather than from views on the trading experiences likely to be revealed very shortly by the hig UK houses. Suggestions of hid moves against some of the weaker names in the financial sector have been heard before and traders saw no new factors

this time. The relatively favourable reception for the rights issue from Commercial Union still left share prices vulnerable to further fund-raising moves. Some analysts, however, believe that, at present interest rate levels corporate finance directors may be looking at the bond and convertible bond markets rather than at equities

Account	Deating	Dates
First Dealings: Feb 1	Feb 15	Mar 1
Option Declaration Fab	Feb 25	Mar 11
est Dealings: Fab 12	Feb 26	May 12
Account Day: Feb 22	Mar 4	Mar 22

Fisons in the bid frame

TAKEOVER speculation over Fisons Increased yesterday. partly as a result of heavy trading in the derivatives market by Morgan Stanley, the US investment bank and securities house. The whole drugs sector was in favour again, rebounding from its recent poor performance on the belief that losses related to US healthcare reforms had been overdone. However, Fisons ended the day, against the overall market trend, as one of the strongest performers in the FT-SE Index of London's 100 most highly

valued stocks.

Rumours have circulated around the company for some time but speculation has increased over the past few days. One bearish analyst said vesterday: The company 19 at obvious takeover target because the management has lost credibility." Hanson, French group Rhone Poulenc, and ICI's soon to be demerged pharmaceuticals arm Zeneca, were cited as companies that might be interested in making an offer. Fisons shares avoided the malaise in the market on Tuesday and yesterday the shares added 10 at 246p. Turnover of 5.8m was at the high end of average volumes and was further boosted by the equivalent of another 2.5m shares in the options market.

Insurers troubled

The well-flagged £428m rights issue by Commercial Union caused no real problems for the shares, which bounced after an initial markdown by dealers and a brief flurry of selling. But it troubled other composites as the market focused on the next potential

NEW HIGHS AND LOWS FOR 1992/93

NEW NEGRIS (105).

BRITISH FUNDS (8) Funding 3/20C 1959-2004, 17 2/20C I-L 2003, 17 2/20C I-L 2003, 17 2/20C I-L 2003, 17 2/20C I-L 2006, 17 2/20C I-L 2006, 17 2/20C I-L 2006, 17 2/20C I-L 2006, 17 2/20C I-L 2016, ARRICIANS (3) Alleghony & Western, Honstreed, Whitipool, CANADIANS (1) American Barrick Res. BANKS (2) Asani, Sumtorno, BLOG MATLS (4) Anglian, Lutarge Copece, Menhalls (4) Cpc, Shellisd Impulations, BLOG MATLS (6) ASP (2) As Proposition of Control, Methallon, BLOG MATLS (1) Aspect Control, CONTROL CONTROL (1) Betweey, ELECTRICALS (6) ASEA B, Crichiey, Denmars Electron II, M. J., Johnson Électric, Mitadobah Elegado, M. J., Legado, II, Johnson Electric, M. J., Legado, II, Johnson Electric, M. J., Legado, II, J., Maring & A., Colon Man (1) Unitever, NEALTH & NESCHOLD (2) Beanh, Paternon Socchia, MOTELS & LEIS (1) Torchmort, No. T., Legado, II, J., Legado, II

group to raise equity capital. CU shares dropped to 580p following the cash-call news before stabilising and staging a strong upward push to close 12 higher at 610p. Mr Trevor May, insurance analyst at BZW, said the market's support reflected the company's "proven track record" but cautioned that the shares were "fully valued" Other specialists were more enthusiastic. Mr Youssef Zlai, at Morgan Stanley, said wor ries about a cash call had acted as a brake on the shares and he now expected a period of

outperformance. Switching out of General Accident to take up the CU "rights" and worries that GA may be the next insurer to raise capital, saw the former's shares 26 weaker at 569p. It was pointed out that GA followed CU in raising capital via preference issues last year. Guardian Royal eased 3 to 167p but was not seen as likely to launch any fund-raising short term. Nor was Royal, 4 hetter

Reuters hit

News and information company Renters Holdings dropped sharply on selling from the US following the company's results statement on Tuesday, as well as some disillusionment among UK inves-

Reuters shares were helow 1200p at one stage and closed a net 66 lower at 1316p on active turnover of 3.4m, the highest for almost a year. The slide was prompted principally by a fall of \$3% in the American Depositary Receipts on Wall Street ahead of a results presentation for US analysts. In addition, agency broker James Capel reiterated its sell recommendation, arguing that the stock was over-rated and needed to fall another 100p before reaching a justifiable

A barrage of sell recommendations unsettled the oil majors, where BP dipped 5 to

266p and Shell 7 to 588p.
Mr Jeremy Hudson, oil analyst at Lehman Brothers, described both stocks as traiing sells ahead of this weekend's Opec meeting. He said BP has risen 46 per cent since the dividend cut last August and had outperformed the FT All-Share Index by 11 per cent during the last month. "There is very little room for disappointment at the Opec meeting or for any reversal of the pound against the dollar," said Mr Hudson, who added that current valuations now appear to discount most of the strong 1994 earnings recovery prospects. NatWest Securities adopted a bearish stance on Shell, citing "awful margins in

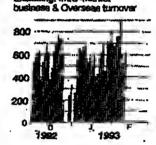
refining and chemicals" There was no let-up in takeover speculation surrounding the hank sector, with old favourites Standard Chartered and TSB both sharply higher on stories that Lloyds Bank could he about to embark on a

hig bid. Lloyds is scheduled to announce preliminary results tomorrow. TSB closed 81/2 up at

FT-A All-Share Index



-1992 · 1993 **Equity Shares Traded** Turnever by volume (million)



171p on heavy turnover of 9.6m below the 179p all-time peak they achieved at the start of last week when the latest spate of rumours first emerged. Standard Chartered, due to report 1992 profits well ahead of last year's £205m on March 10. jumped 21 to 631p. Lloyds held

Trafalgar House gained 2 to 86%p on talk that an expected cash call would be in the form of convertible stock issued to shareholders and amount to between £200m and £300m.

Cadbury-Schweppes gained 6 at 467p on talk of a positive note and uperade by S.G. Warhurg. While moving its figures from the bottom to mid-range in the market, Warburg was seemingly pointing up Cadhury's currency attractions and the fading need for a

rights issue as a result.
Selected food retailers
bounced after the recent pounding on the back of VAT fears. Argyll Group gained 6 to 367p, Kwik Save 7 to 802p and Tesco 5 to 239p. J. Sainsbury missed tha party, the shares under a shadow from a line of unplaced stock. They closed steady at 529p. However, Albert Fisher managed to place its overhang and the shares rose 3 to 69p. Turnover

was a large 11m. Bid talk around Alaxon refused to die, the shares

adding a penny at 82p. Boots shed 4 to 486p on worries over NHS prescription costs. Kingfisher fell 10 to 516p on concern over the rights issue to fund its supposed purchase of Darty, the French electrical retailer. Storehouse confirmed

investors sold heavily in the US on Tuesday night. There was also growing concern that actual and expected rights issues, combined with the UK government's heavy gilts programme, would drain money from the market and cast doubt over any ICI fund-raising exercise. If ICI is unable to raise money after its results on Fehruary 25, some analysts are doubtful over the likelihood of

the departure of its chief exec-

ICI fell 26 to 1145p after

utive and it lost 10 to 184p.

the proposed split between the chemicals and pharmaceuticals arms going ahead. BOC firmed 3 to 739p ahead of figures today. The market is looking for a first quarter profit of about 289m.

Shares in Simon Engineering

revealed a £5m contract loss.
The news prompted analysts to reduce profit forecasts and the shares fell 20 to 119p.

Bid talk in Vickers gathered momentum and the shares jumped 8 to 132p. Industrial group Charter Consolidated, which sold its stake in Johnson Matthey on Tuesday, was once again mentioned as a likely predator. Charter shares were a penny easier at 655p while those of Johnson fell 5 to 468p.

Late selling of Lucas Industrials in 1968. 1989.

Late selling of Lucas Industrials the first lose 1989.

Late selling of Lucas Industrials the first lose 1989.

The first leading late in 1969.

The first lose 1989.

The first lates up in first lates and the shares were a penny easier at 655p while those of Johnson fell 5 to 468p.

Late selling of Lucas Industrials the first lose 1989.

The first lates up in first lates and in first lat Late selling of Lucas Indus-

tries saw the shares give up 6 to 139p in trade of 3.3m. The company has been seeing analysts and some said trading conditions in the automotive division are worse than expected, although this might be offset by tough cost-cutting plans. Heavy two-way business per-sisted for a third day in Forte,

with dealers saying that buying led by James Capel was being met by bears in the market still convinced that the dividend may be at risk. After gaining against the markst

trend, the shares lost 4 to 1889.
French press talk persisted over changes being planned hy Walt Disney management to their arrangement with Euro Disney which would be beneficial to the latter's shareholders. The shares surged, but later retreated to close just 2

FINANCIAL TIMES EQUITY INDICES

	Feb 10.	Feb 9	Feb 8	Feb 5	Feb 4	age	High	Low
Oritoary shere	2174.7	2194.0	2225.1	2218.5	2215.9	1963.3	2225.1	1570.0
Ord. div. yield	4.35	4.31	4.25	4.26	4.26	4.55	5.34	423
Earning yad % full	5.93	5.87	5.79	5.82	5.83	8.92	-	-
P/E radio net	21.81	21.72	22.01	21.89	21.47	1813	22.01	15.79
	19.84	20.84	20.30	20.10	20.17	17.10		-
P/E ratio ral	90.3	61.6	78.8	79.0	783	1443	180.8	60.9
Beld Miles	202							
"for 1992/95. Ordin	TIN SHIELS	Index et	uce count	MENGIE III	97 223.1	42/84 -	43L4	DAD-AD
Gold Mines Index	Eince con	DOUBLING	Agu. C.	10/203	W# 473	SER LAKE 4		
Besis Ordinary sh	LIN 1/7/35	Gold M	12/W	50				
Ordinary Shere her	tal firms	F		2.	7.6			-
Com 9.00	10.00	1,30 1	13	14	15,9	15.00	High	LDW

Feb 5 Feb 9 Feb 8 2EAQ Baryains Equity Terrarentings Equity Regulars Shores based (mily Exclusives intra-mail 34,101 1582.6 39,649 608.8 36,856 1026.2 41,577 526.5 35,741 1474.5 40,987 605.2 41,764 2141,3 47,709 26,978 811,3 26,694 372,5

21857 21865 2191.1 21842 2187.0 21855 21847 21750 21729 21921 21727

Lendon report and letest fibers fadex Tal. 0891 123001. Calls charged at 35p/minute cheep rate. 48p at all other times.

With a dull Wall Street and few buyers, March fell to a day's low of 2,808 at 2,50pm. But a feeling that the contract's fall had been overdone.

close and at a premium of 12 to cash. Turnover fell to 9,918

30,523 contracts had heen dealt hy the close, with some 7,616 lots transacted in the FT-SE 100 option. Tesco was the most active stock option with volume of 2,733 con-

Rights issue talk pervaded the drinks stocks with the nsual favourite, Allied Lyons being joined by Grand Metro politan. According to market gossip, GrandMet was casting around to make a £200m plus call in order to finance debt and a possible acquisition. Its shares weakaned 7 to 437p.

with Allied 3 off at 586p. Market rumours ahead of the latest consultation from Ofwat. the water regulatory authority. proved wide of the mark. The paper, released yesterday, said that Ofwat would "look carefully" at the way growth is

MARKET REPORTERS: Christopher Price, Joel Kibazo, Peter John, Stave Thompson.

M Other market statistics,

Hourly movements 9.00 16.18 High/day Open 10.00 11.00 12.00 13.00 14.80 15.00 Low/day 2822.5 3008.7 2815 3 3001.9 2832,4 3015.7 FT-SE NW 250 2824.9 3014,7 2824.5 3013.6 2818.2 3009.8 2820.6 3006.6 2821.3 2811.B 3015.3 3007.1 3002.8 FT-SE-A SSE 1395.4 1395.2 FT-SE Actuaries 350 Industry Baskets 9.80 10.00 1620.8 1621.3 1619.2 1621.B 1619.5 1618.5 1815.6 1617.1 1619.3 1625.6 -63 1135.9 1136.8 1139.5 1137.1 1393.5 1388.0 1399.4 1388.6 1553.4 1557.8 1569.3 1557.4 1140.8 1387.8 1563.8 1139.8 1387.9 1559.5 1138.6 1388.6 1551.8 1143.8 1388.1 1554.4 Health & N 1139.3 1146.7 1137.7 1387.8 1559.5

Actuaries Share Indices

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-04

-0.5

-05

- 0.4

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-0.3

-01

-82

-08

-0.9

- 0.5 - 1.0

-0.2

+0.3

- 0.2

-08

- 0.3 - 0.5

Feb 18 change %

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FT-SE MID 250

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Feb S

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Feb 9

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5 Bectroncz(35) 6 Engineering-Aerosp

10 Other Industrials (1S)

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27 Health & Household (29)
29 Hotels and Lalaure (20)
30 Media (33)

31 Packaging and Paper(23) 34 Stores(39) 35 Textilins(20)

40 OTHER ERCUPS(142

41 Business Services(27) 42 Chemicals(23)

Transport(16)

Becancity(16)

49 HOUSTRIAL GROUPERS

59 "500" SHARE INDEX(6

ST PRANCIAL BROWNING

66 Insurance (Composite) 65 Insurance (Composite) 67 Insurance Brokers[10] 68 Membant Banks[6] 69 Property[28]

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99 FT-A ALL-SHARE[799]

ent Truste(107)

62 Banks(9) 66 Insurance (Life)(6)

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Brewers and Distillers

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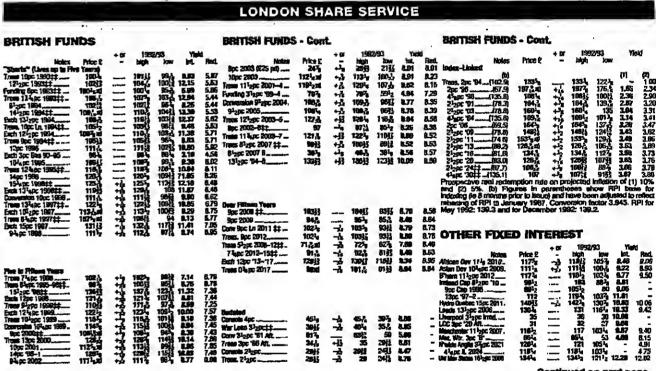
FT-SE 100

2816.4 - 14.9

Additional information on the FT-SE Actuaries Share indices in published in Saturday instines. Lists of constituents are available from The Francial Times Limited, One Southwark Bridge, London SET BHL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indicests, is available from FPRSTAT at the same address. The increases of the FT-actuaries AR-Share Index Inform January 4 1985 means that the FT 500 now contains more stocks, it has been remained the FT 950°, † Sector PVE palos greater may 80 are not shown 1 Values are regardlys.

The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries SS0 incloses are compiled by the Landon Stock Exchange and the FT-Actuaries AR-Share Index is compiled by the FT-Actuaries AR-Share Index is compiled by the Financial Times Limited, both in conjunction with the institute of Actuaries and the FT-Actuaries attained are of ground rease. The international Stock Exchange of the United Citypic of the Indice (Initial 1981), The Financial Times Limited 1983, AR hights reserved. "FT-SE" and "Footale" are joint trade marks and service warks of the London Stock Exchange of the Citymes Limited.

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EQUITY FUTURES AND OPTIONS TRADING

MORE RIGHTS issue fears, coupled with a general lack of buying interest, led to a lacklustre day in derivatives yesterday, writes Joel Kibazo.

The early announcement of a cash call from Commercial Union was at first poorly received and the March contract on the FT-SE 100 Index opened weakly at 2,823. However, the vicw that the

funds were to be put to good use helped to steady nerves and the March contract shrugged off the early gloom to clove into positive territory on sporadic buying, mainly from independent traders.

That positive mood received a sharp knock when a leading securities house moved to sall the contract. March fell sharply and was soon trading

at a discount to the underlying down 6 from the previous cash market, which had followed it down.

together with general short-covering, helped it rally in the last half-hour of trading. March finished at 2,827,

In traded options, a total of

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FT MANAGED FUNDS SERVICE * Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

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CURRENCIES, AND CAPITAL MARKETS MONEY

FINANCIAL FUTURES AND OPTIONS

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Apr 1.36 2.19 3.27 4.74 6.49 841 10.55

7.99 7.77 7.77

FOREIGN EXCHANGES

Yen consolidates its strength

consolidated its stronger position against both the dollar and the D-Mark, as dealers continued to epeculate oo the possibility of a G7 secord to reduce the Japanese trade surplus, writes James Blitz.

The yen appreciated to a high of Y120.64 against the dollar yesterday before closing at Y120.80, up nearly Y1 on the day. Against the D Mark, it closed at Y73.00 from a previ-

The Clinton administration has indicated that the Japanese trade surplus is a matter of deep concern. But there was ecepticism yesterday over whether US and Japanese officials would agree to boost the currency further when they meet this weekend.

According to Mr Mark Cliffe, chief economist at Nomura securities in London, the main policy debate in Tokyo is on how to boost the fiscal stimulus to the economy rather than on raising interest rates.

Mr Neil Mackinnon, an economist at Citihank in London, says the Japanese currency will not strengthen very much because interest rates in Tokyo are unlikely to rise in the near term, limiting the returns for potential investors.

£ IN NEW YORK Close Feb 10 Latest

	STERLING INDEX									
	Feb.10	Previous								
8 30 am 9 00 are 10 00 am 11 00 am 100 pm	76.5 76.6 76.6 76.6 76.6 26.6	76.4 76.4 76.2 76.4 76.5 76.5								

76.6 76.4

CURRENCY RATES										
Feb 10	Bank & rate	Special * Drawing Rights	European Currency Unit							
Sterling U.S. Dollar Canadian S Austrian Sch Berlojan Franc, Danjan Krone D-Mark Douch Golider French Franc, Japanese Yea Morway Krone Japanese Yea Morway Krone Sowish Aropas Sowish Franc Greek Grach Ho Parin Hope Post I	- 00350 8750 8750 1159 1159 1159 1159	0.956407 1,78280 15 8925 46 6514 2,29856 2,53659 7,62736 2085 57 166 953 9 57491 160 234 10 2093 2 79611 N/A	0 82355 1.18344 1.49648 13 6887 40 1986 7 43025 1.94558 2.18796 6.59119 18025 143 043 6 25689 1.38.427 6,75997 1.79647 259 9326							

Bank rane refers to central bank discount rates.
These are not quoted by the UK, Soain and Ireland.
1 European Commission Calculations.

* All 50R rates are for Feb. 9

CURRENCY MOVEMENTS

Feb 10	Bank of England Index	Morganio Eugranty Changes %		
Sterling U S Dollar Lanadian Dollar Austrian Schilling Belgian Franc Landia Rome D-stark Wrise Franc Dutch Guilder Franc Lura Fen Fen Franc Franc Lura Fen Fen Franc Fen Franc Franc Fen Franc Fen Franc Fen Franc Fen Franc	76 4 67 0 95 9 115 1 119 4 129 4 129 3 119 7 110 1 81 9 159 0	-33.47 -10.40 -6.57 +16.64 +12.40 +31.757 +21.16 -6.76 -32.94 +95.33 -24.22		

1930-1982 100. Bank of England loder Base

Feb 10	£	\$
Argentina	1 4270 - 1 4295	0 9990 - 1.0000
Antralt	2 1335 - 2 1355	1 4930 - 1 4940
Brazil	24629 0 + 24647.2 6 5395 + 66885	
Finland	8 5395 · 86885 312 650 · 318 950	6 0000 - 6 0400 218 350 - 222 72
irece.	11 0425 - 11 0550	
Keny keny Tan	11 0453 - 11 0230	1485 00
Káre zi Sthi	11 31 55 . 1131 85	
CERTAIN STATE	0 44200 - 0 44750	
ranapema Transpersion		310 1420
Lilinsti	3 75.70 - 3 7615	26270 26290
Riesica	4 4713 - 4 4240	30950 30970
i Lealand	2 7450 2 7990	19505 19590
April ar	5 3515 5 3625	3 7495 3 7505
Sir.4apore	2 3460 - 2 3550	16455 16465
S At Cm	3 4440 4 4545	3 1180 3 1200
5 Ar Fel	6 5080 - 6 5980	45560 - 46190
Tatwan	3, 00 - 37 15	25 90 - 26 00
UAE	5.2410 - 5.2535	36715 - 36735

He believes the yen could appreciate to Y85 to the D-Mark and that there may be a test of the historic high of Y119.00 against the dollar, set on 28 September last year. "But I don't see the 16-20 per cent appreciation in the yen/ dollar rate which come people

are suggesting," he said. Inside the European exchange rate mechanism. there were growing signs of tension in spite of last week's cuts in the Bundesbank's offi-

cial interest rates.
The Bundesbank'e decision to accepted a tender for its repo at 8.50 per cent, from 8.57 per cent last week, was widely expected by the market, although it raised concerns that German policy-easing was oo the slow side.

The Belgian authorities raised their end-of-day support rate hy 50 basis points, to 9.3 per cent, to couoter selling pressure on the Belgian franc. The Belgian authorities have

rency to diverge hy only a ited amount against D-Mark in the ERM grid. H ever, dealers were yester buying currency options hedga against a weaker gian franc in the event that ERM hreaks up - and pushed the Belgian franc much as 30 basis points a from the D-Mark.

The Belgian currency only 10 basis points wea than the D-Mark on the last night. But Mr Mark tin, a Treasury economist Midland Global Markets London, remained pessimis "tt is hard to believe that will get through the run-up the French elections n mooth without fireworks

the ERM," he said. Sterling yesterday tra more comfortably after hair-raising daye against
D-Mark and dollar. The por
closed unchanged at DM2.3
and slightly stronger at \$1.42

EMS E	UROPE	AN CUR		INIT RA	IES
	Ecu Central Rotes	Amounts Against Eco Feb 10	% Change from Central Rate	% Spread vs Westlest Carrency	Divergence Indicator
Spanish Pesera	142.150 180.624 0.809996 2.20045 1.95294 7.44934 40.2802 6.54986	138,427 176,333 0,799408 2,18996 1,99458 7,43025 40,1986 6,59119	-2.62 -2.38 -1.31 -0.48 -0.39 -0.26 -0.20 0.63	3.34 3.08 1.96 1.11 1.01 0.89 0.83 0.00	46 40 57 22 22 10 0
Ecu central rades set by U are for Ecu; a positive Percentage difference bet Percentage deviation of v (1,7/9/92) Sterling and i	change denotes a meen the actual of the corresor's ma tallan Lira suspe	weak corrency, sarige and Ecu correct rate from its rate from ERM.	Olvergence shows thral rates for 4 co Eco central rate. Adjustment calcul	the ratio befores prency, and the ma ated by Financial	two spieats: the extruse permitted Times,
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Feb 1.0	Day's spread	Clase	Que month	9.3.	Three months	P.A.
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emant eland	9.0010 - 9.0560 0.9680 - 0.9730	9 0200 - 9.0300 0.9685 - 0.9695	0.58-0 77pdis	-0.36	16-151 ₃ dis 1,92-2,35dis	-8.8
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Feb 10	Day's spread	Close	Qué month	% p.a,	Three months	P.A.
Ct		1.4270 · 1.4280 1.4720 · 1.4780 1.265 · 1.2645 1.8520 · 1.8530 3.4.10 · 3.4.20 6.3230 · 6.3230 150.10 · 150.20 117.75 · 117.85 150.00 · 7.0275 7.0225 · 7.0275 7.4700 · 7.4750 120.85 · 120.95 1.6200 · 1.6250 1.5335 · 1.9345 1.1755 · 1.1755	0.36-0.34cpm 1.20-1.45cgk 0.27-0.30cgk 0.27-0.30cgk 0.74-0.77cgk 12,00-20.00cgk 8,49-9.44crelis 0.70-0.72cgk 116-120cgk 9.20-9.90fcrelis 3.00-3.50crelis 3.00-3.50crelis 3.50-4.10cgk 0.00cgk 4.20-4.55cgcdk 0.27-0.50cgk	48789815884549 KN17	1.01-0.99m 3.80-4.40dis 0.89-0.94ds 2.20-2.25dis 77.80-55.80di 29.00-31.00des 2.06-2.11dis 363-372dis 273-373dis 273-373dis 273-373dis 12.00-12.30dis 10.80-11.80dis 0.02-0.01pm 12.65-13.75dis 1.83-1.80om	279-11-12878
annerozi r	ales taken towards the discounts apply to t	end of London tradio be US dollar and not	. 1 UK, Ireland and E to the Individual o	ca are qu mency.	roted to US carrency.	Forward

Feb 10	Short	7 Days	One	Three	Six	One
	Lerm	notice	Morth	Morths	Moeths	Year
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			EX(HA	NGE	CR	055	RAT	ES			
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	1	1.428	2.363	1725	7 995	2.190	2.658	2200 1541	1.806	48.75	167.8	1.20
OM.	0 700 0 423	0 604	Less	120 0 73.00	5 599	0 927	1 125	931.0	1.265 0.764	20 63	1175	0.84
YEN	5 797	8 278	13 70	1000	3.383 46.35	12.70	15.41	12754	10 47	282.6	71.01 972.0	7.00
FF.	íží	1.786	2.956	215 8	10.	2 739	3 325	2752	2.259	60.98	209.9	151
SF.	0.457	0.652	1 079	78.77	3.651	1	1214	1005	0.825	22.26	76 62	0.56
N FL	0 376	0.537	0 889	64 90	3.008	0.824	1	827 7	0.679	18.34	63.13	0.45
Lim	0 455	0.649	L074	70 41	3.634	0.995	1,208	1000	0.821	22 16	76.27	0.54
CS	0 554	0 791	1.308	95 51	4.427	1 213	1.472	1218	1	26.99	92.91	0.66
B Fr.	2.051	2 929	4 847	353 6	16 40	4 492	5 452	1218 4515	3.705	100.	344.2	2.47
Pta	0 596	0.851	1,408	102.8	4 765	1.305	1.584	1511	1.076	29.05	100.	0.72
Ecu	0 828	1 182	1.956	142.8	6.618	1813	2,200	1821	1495	40.36	138.9	1.

111.00 a.m. Feb.100 3 months US sollars

	Strike Calif-settlements Puls-settlements Price Mar Jun Mar Jun 94 2-28 4-06 0-02 0-30 100 1-33 3-22 0-07 0-44	Strike Calis-setziemens Pass-setziements Price Mar Jun Mar Jun 9400 0.67 1.12 0.01 0.01	Strake Cal Price #6 9200 1.3 9250 0.8
cur- lim-	101 0-46 2-48 0-20 0-62	9425 0.44 0.88 0.03 0.02 9450 0.21 0.65 0.05 0.04	9360 D 8
the How-	1 104 9401 1-04 2-39 2-20	9475 0.08 0.45 0.17 0.09 9500 0.09 0.27 0.37 0.16 9525 0.02 0.15 0.61 0.29 9550 0.01 0.07 0.85 0.46	9400 0.0 9450 0.0 9500
rday s to	105 0 0-47 3-58 3-05 0-32 4-39 3-54 105 100-510 100-51	9575 0 0.04 1.09 0.68 Estimated volume total, Cadis 50 Puts 200 Previous day's open Int. Calls 1266 Puts 3436	9550 Estimated volum Previous day's or
Bet- t the	LEFFE EUROMARK OPTIONS	LIFFE ITALIAN GOVT. BOND (BTP) FUTURES	LIFFE SHORT S
this c as	Strike Calis-settlements Pass-settlements	SPTEMS Live 200m 100ths of 100% Spring Calls-orthogones Pros-orthogonis	Strike Cal
way	9125 0.70 1.61 0 0	9450 1.38 2.08 0.09 0.93 9500 0.97 1.75 0.17 1.10 9250 0.62 1.51 0.32 1.36 0.36 1.36 0.36 1.36 0.36 1.36 0.36 1.36 0.36 1.36 0.36 1.36 0.36 1.36 0.36 1.36 0.36 0.36 0.36 0.36 0.36 0.36 0.36 0	Price M 9350 0.6 9375 0.4
wae aker	9290 0.12 0.91 0.17 0.05 9225 0.06 0.69 0.36 0.08	3620 0'TR TOP 0'88 T'AT	9375 0.4 9400 0.2 9425 0.3 9450 0.0
grid Aus-	9250 0.03 0.50 0.58 0.1A 9275 0.02 0.36 0.82 0.24 9300 0.01 0.23 1.06 0.37	9700 0.08 0.87 1.28 2.22 9750 0.04 0.71 1.74 2.56 9800 0.03 0.57 2.23 2.92	9475 0.0 9500 0.0 9525 0.0
t at	Estimated volume total, Calls 10124 Pors 11316 Previous day's open int. Calls 156698 Pors 104782	Estimated volume total, Calls 61.0 Puts 699 Previous day's open Int. Calls 9840 Puts 5783	Estimated volum Previous day's o
istic. t we	LONDON (LIFFE)	CHICAGO	JAPANESK YE
ip to next	Close High Low Prev. Mar 101-15 101-16 100-26 101-02	\$190,600 32mk of 100%	Y12.5at S per 1
s in	Jun 102-21 102-21 102-08 102-16 Estimated volume 36833 (39982) Previous day's open Int. 63620 (61770)	Latest High Law Pres. Mair 197-30 107-31 107-30 107-39 Jun 106-23 106-33 106-16 106-27 Sep 105-13 105-14 105-13 105-14 Dec 105-14 105-13 105-14 104-09 Mair	Mar Jun Sep
two	US TREASURY 00HDS 8% ** \$100,000 32ms of 100% Close High Low Prev.	Jan 102-08 102-08 102-08 102-06	DEUTSCHE MA
ound	Closs High Law Pres. Mar 107-29 107-28 107-26 107-24 Jon 106-21 106-17 Estimated volume 67 CR0	Mar 99-24 Jan 99-23	Har
.3625 4275.	Previous day's open let. 695 (703) 6% NOTIONAL GERMAN GOVT. BOND	U.S. TREASURY RELLS (DAN) Size points of 180%	Jun Sep Dec
	PM250,000 180lin of 100%	Latest High Low Prev. Mar 97.04 97.04 97.04 97.04 Jan 96.84 96.84 96.83 96.84	THREE-MONTH
_	Close High Law Prev. Close High Law Prev. Close High Law Prev. Close High Law Prev. Close High Law Prev. Close High Law Prev. Close High Law Prev. Close High	Jan 96.84 96.84 96.83 96.84 Sep : 96.54 Dec : 96-15	Size points of 1
ence for	Privious day's open int. 150600 (150806) 6% NOTIONAL MEDIUM TERM GERMAN GOVT.	BATTESH POLING CINAN Sa per É	Jun Sep Bec
_	Close High Low Prev.	Mar 14284 14346 14204 14276 Jun 14200 14250 14130 14188	Mar Jun Sep
	Jan 98.32 96.28 Eschated volume 3914 (4607)	Jun 1.4200 1.4250 1.4130 1.4188 Sep 1.4122	STANBARD & P
	Previous day's open lat. 9573 (1,0033) 6%. ROTTONAL LONG TERM JAPANESE GOVT.	SWISS FRANC CHAND SP: 125,000 5 per SFr	\$500 times had
changes use the	2000 Y100m 100ths of 100%. Close High Low Mar 110.13 110.13 110.06	Latest, High Low Prev. Mar 0.6545 0.6579 0.6527 0.6525 Jun 0.6522 0.6546 0.6500 0.6494	Mar Jun Sep Dec
raitted	Jun 109.53 109.53 109.95 Estimated volume 1409 (1734) Traded exclusively on APT	Sep 0.6472	Let.
_	12% NOTIONAL ITALIAN GOVT. BOND ONTP) LINA 200m 100%	PHILADELPHIA SE E/S OPTIONS	
(D	Clase High Law Prev. Mar 95,80 96,85 95,75 96,89 Jun 95,65 96,50 95,60 96,71	£31,250 (cests per £1) Strike Cells	
279 -0.09	Estimated volume 25567 (12651) Previous day's open lat. 35490 (35506)	Price Feb Mar Apr 1.375 5.38 5.58 5.98 6	Jun Feb 159 .
-1.79 -2.79	THREE MONTH STERLING * ESOO,000 paints of 100%	1425 0.91 2.22 2.97 1450 0.07 121 2.01	.86 0.43 L86 2.07
-8.81 -2.12	Use High Low Prev. Mar 94.15 94.17 94.09 94.12 Jun 94.99 94.61 94.55 Sep 94.70 94.72 94.66 94.68	1.500 · 0.23 0.76 1 1.525 · 0.07 0.42 1	L49 6.87 L02 9.32
-6.64 -5.00	Sep 94.70 94.72 94.66 94.68 Dec 94.59 94.60 94.55 94.58 Mar 94.23 94.24 94.20 94.22 Jun 93.84 93.85 93.81 93.82	Previous day's open int: Calls 554,551 Pats 547,279 Previous day's volume: Calls 37,355 Pats 17,798 (All	currencies)
17778812854807471247781	Est. Vol. (inc. flor not shown) 28946 (56392)	PARIS 7 to 10 year 10% rotheral, french bond guate	7 FUTURES
-137 0.68 -3.41	Previous stay's open tot. 299157 (298611) THREE MONTH EURODOLLAR	Open Sett price Change March 113.36 113.24 -0.18	High 113.40
Month	Star points of 100% Close High Low Prev. Alar 96.68 96.68 96.66 96.67	June 115.00 114.94 -0.10 September 115.02 155.04 -0.02 Estimated volume 122,788 † Total Open Interest 293,2	115 10 115 14
<u></u>	Jun 96.48 96.49 96.45 96.47 Sen 96.16 96.17 96.13 96.14 Dec 95.60 95.59 95.58 95.60	THREE-MONTH PIBOR FUTURES DEATH) (Park labor	and offered rate)
AR	Est, Vol. Unc. figs. not shown) 1380 (1554) Previous day's open Int. 21423 (20744)	March 88 85 88.57 -0.29 June 91.50 91.37 -0.33 September 92.40 92.44	
279 -11.14	THREE MONTH EUROMARK 4	December 92.72 92.75 +0.03 Estimated volume 54,088 + Total Open Interest 157,00	92.78
=2.89 =4.78	Close High Low Prev Mar 91.95 92.02 91.92 92.01 Jun 92.86 92.92 92.83 92.91	CAC-40 FUTURES (MATE) Stock lodes February 1914.0 1921.0	1924.0
-597 18.98 -5.06	Sep 93.46 93.50 93.41 93.49 Dec 93.74 93.78 93.70 93.74	March 1934 0 1942 0 +1.00 April 1949 0 1957 0 +1.00	1944.0 1951.0
-9.78 -9.68 -7.74 -5.75 -8.68	Mar 94.07 94.09 94.03 94.06 Jun 94.08 94.11 94.06 94.08 Eschmated volume 94086 (731.51) Previous day's open int. 463304 (461.883)	June 1946 0 1952.5 +2.00 Estimated volume 11.879 t Total Open Interest 53,826	1948.0
	THREE MONTH ECU	Harch 110.36 110.20 -0.22	110.36
0.05 -4.54 -2.20	ECU 1m points of 100% Close High Low Prev. Mar 90.63 90.73 90.58 90.77	Estimated volume 4,049 t Total Open leterest 10,658 Option on Long-Term French Bond (Mattr)	
6.17 orward	Mar 90.63 90.73 90.58 90.77 Jun 91.63 91.68 91.60 91.75 Sep 92.36 92.41 92.25 92.43 Dec 92.78 92.74 92.70 92.78		pterder N
	Estimated volume 2992 (1992) Previous day's open int. 15948 (15609)	111 226 : 112 134 : 113 050 :	
_	THREE MONTH EURO SWISS FRANC SFR Im points of 100%	114 0 12 1.67 115 0.02 1.04 Open fot 134,190 107,232	1.50 7,345 193
<u>. </u>	Gost High Low Prev. 94.66 94.77 94.65 94.76 Jan 95.11 95.22 95.10 95.20 Sep 95.34 95.45 93.34 95.03	Estimated volume 21,424 + Total Open Interest 504,89 † All Yield & Open Interest figures are for the previous	В
35	Sep. 95.34 95.45 95.34 95.43 Dec. 95.42 95.56 95.45 95.56 Estimated volume 9512 (8361)		
34 35 57 57 57 57 57 57 57	Previous day's upon les. 47426 (47277) THREE MONTH EUROLINA INT, BATE	BASE LEND	NG RA
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THREE MONTH EUROLIRA INT, BATE LIRA 1,000m points of 190% 88.60 89.25 89.56 89.62 High 88,91 89,45 69,67 89,66 Contracts traded on APT. Clasico prices shown. POUND - DOLLAR FT FOREIGN EXCHANGE RATES 1-mth. 3-mth. 6-mth. 12-mth. 1-4240 1.4176 1.4104 1.4010 FT LONDON INTERBANK FIXING

6 months US Deltars

Standard & Chartered

BASE LENDING RATES

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Hempshire Trust Pic 13.5 Hertable & Gen Inv Sk. 6

Girobank ...

Bank of Ireland Bank of India Bank of Scotland ...

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Standard Chartered

Standard Chartered PLC

US\$400,000,000 Undated Primary Capital Floating Rate Notes

in accordance with the provisions of the Notes, notice ie hereby givan that for tha Interest Datarmination period from 11th February 1993 to 11th March 1993 the Notes will carry interest at the rate of 3.5 per cent

Intareet accrued to 11th March 1993 and payeble on 12th July 1993 will amount to US\$27,22 per US\$10,000 Note and US\$272,22 per US\$100,000 Note.

> Chartered WestLB Limited Agent Bank

MONEY MARKETS Repo is disappointing

futures fell back yesterday after the Bundesbank reduced the lowest accepted rate in its weekly securities repurchase tender by only 7 basis points, writes James Blitz. Hopes of a substantial cut in

the rate at which the Bundesbank offers funds to commercial banks had been dashed at the weekend after Mr Helmut Schlesinger, the central bank's president, indicated that last week's cut in Germany's officially-posted interest rates would not mean a lowering in the cost of money market funds.

UK clearing bank base lending rate 6 per cent <u>rem January</u> 26, 1993

However, there was still some disappointment when the lowest accepted repo rate came in at 8.50 per cent, from last Week's **8.**57.

The March Euromark contract fell back 4 basis points from its previous close. finishing at 91.97. At this level. it prices 3-month money next month at 8.03 per cent. Call moncy was virtually unchanged yesterday at 8.60

per cent. The duller ione continued to take its toll on French franc markets. The cost of 3-month cash hovered around 12 per cent, while the March French

SHORT-DATED Euromark franc contract closed 30 basis points down on the day, at 88.57. At this level it assumes that 3-month money will come down only 50 basis points between now and the French elections.

There was little activity in sterling markets. The March futures contract rose 6 basis points to close at 94.16, while 3-month monev was unchanged at 6% per cent.

One dealer suggested yesterday that the March contract was a very good buy from here. He listed several events which could raise expectations of a cut in UK base rates in the next two months. These include 2 Bundesbank meetings, and a further one on the day after the March contract expires; a G7 finance ministers' meeting in London on February 27, which may discuss the high level of European interest rates; and the UK budget on

March 18. Convergence of the March contract with the current level of 3-month money could, of course, bring the March future down to around 93.75. Developing problems over the Maastricht treaty could also undermine sterling on the

foreign exchanges. But, if sterling stabilises at its current level, there may be reasons to huy the contract

MONEY RATES **NEW YORK** 27 Two Months Feb.10 Six Months 850-860 114-114 54-53 825-838 31-31 114-114 0 20-8 35 11 4-12 4 51-52 8.02-8.10 8.40-8.55 8.30-8 45 7.85-8 00 900 910 114-113 84-85 155-134 124-13 154-14 124-124 **LONDON MONEY RATES** One Year Feb 10 54 54 54 512 512 54 517 514 3 04 51 51 95 3.12 56 91 91 3 24 5 4 9 4 9 9 3.52 51, 5 Treasury 8tils (sell): one-month 5% per cent; three months 5½ per cent; six months 5½ per cent; Bank Bills (sell): one-month 5½ per cent; three months 5½ per cent; Treasury 8tils; Average tender rate of discount 3.3266 ECGO Fixed Rate Spiriting Expert Finance. M ake up day January 29, 1993. Agreed rates for period February 24, 1993 to March 23, 1993, Scheme 16.32 p.c. Reference rate for period January 1, 1993 to January 29, 1993. Scheme 11, Local Authority and Finance Houses seem days motive, others seven days finance. Finance Houses from San Rate 7½ from February 1, 1993. Certificates of 1st Deposit Certas 6.0 Deposit 2.00,000 and over field under one month 2½ per cent; one-three months 5½ per cent; three-six months 6½ per cent; three-six months

THE BANKERS CLUB

On 1st April 1993 the Overseas Bankers Club will change its name to

The Club, based in the heart of the City, has revised its Rules in order to permit a wider membership, embracing activities which are related to the province of flument and associated professional envices.

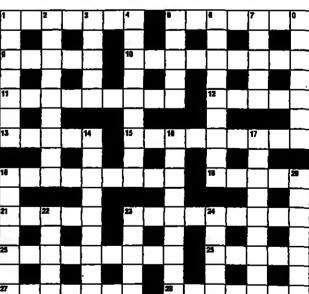
It is hoped that, senior executives of Institutions which now qualify for membership will seriously consider the benefits of joining the Clob. (Further information can be obtained from the Secretary, at 7 Lothbury, EC2R 7HH, 671-606-5883).

MONEY MARKET Money Market Trust Funds **Money Market Bank Accounts** Interest Cheque Account
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1277 170 229 Or
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071-623 1010 Tyndall & Co Ltd Confederation Bank Limited Western Trust High Interest Cheque Acc The Showcycente, Plymouth PLI ISE 0752 224141 155,000+ 550 131 5 61 0tr 25,000-614-99- 525 194 5 351 0tr 11,000-614-99- 550 3,74 5 509 0tr The Cu-operative Bank Wimbledon & South West Finance PLC 114 Remark St. London ECL TAE 071-006 9485 High Int Chegus Acc. ... | 5 50 4 25 5 61 | Ctr 4.381 6.001 Mth

CROSSWORD

No.8,074 Set by VIXEN



ACROSS 1 Big craft centre (7)

A youngster going around at church to settle differences

(5.2) Mature person accorded publicity of sorts last month (5) 10 Check leisure includes exer-14 It's held up to the viewers as

helpful (9) 16 Dunderhead is put on charge, cise (9)
11 Drier that could well be of but let off (9)
17 One-time soldiers aim to join poor quality (5-4)
12 Bolt in a panic at Christmas

the company (5-4)
18 Place to atow money away (7) Monarchal right a sovereign retains for example (5) 20 Rum's not perhaps generally regarded as a cure-all (?) 22 The cabinet-maker's horing

Senior citizens become expert in painting (3,6)
18 Light romances? (9)
19 Colour isn't a problem (5) 23 Some cyclist pedalling backwards to appear clever (5)
24 Military personnel with 0 dog come at intervals (5)

21 Clear this areal (5)

22 A woman in depression's found friends (9) 25 He'll want to look around these rigs in need of repair (9) 26 Furniture with many locks (5) 27 People in the wrong can

cause distress (7)
28 Medal or order showing noble title (7)

DOWN

1 Break for the star to get made up (7) 2 A Greek character alone is

no more, note (5)

presented in comic fashion (9) 3 Work 8 man's decided upon(5) 4 Tease in ratiog over a 1 5 Adhesive is wanted - there's

LLOYDGEORGE ASH
E V W F A V S U
IRENE IMPRESSED
S R L G I R E S
UNTUTORED GARBO
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Solution to Puzzle No.8,073

6 Quitters run to cast off (9)

tion (7)

contrivance (5)

7 Raise an army holding unit

(6)
An American sportsman gets
by swallowing a certain irrita-

K MARKETS

FINANCIAL TI	MES THURSDAY FE	BRUARY 11 1993		(0.01.2.000
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February 10 Itr	Principole Sept Principole Sept Principole Sept Principole Sept Principole Sept Principole Sept Sept Sept Principole Sept	Trail Primary to Lim	February 18	Sales Revis (25) 32 - 3 Seles Revis (25) 321 - 3 Seles Revis (25) 321 - 3 Seles Revis (25) 340 + 2 Seles Revis (25) 340 + 2 Seles Revis (25) 341 + 2 Seles Revis (25) 341 + 3 Seles Revis (25) 341 +
Value	Petersony 20 Yest +87 -	Palmorery 10 Tear + ar - ar	Federatory 10	### AMERICALA A Imministration Immin
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OSSWORD

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TORONTO 4 pm close February 10 Duolations in cents unless marked \$ 214500 Abbat P: \$144	S100 Denzon A S900 Denzon A S900 Denzon S S900 Den	2 40 12 5 40 35 6 5 5 2 2 5 5 5 5 5 5 5 5 5 5 5 5 5 5	20 14 14 14 14 14 14 14 14 14 14 14 14 14	Sales Stock 175700 MacAemie 8200 Racmie 18200 Racmie 1200 Magra Inta 4 1200 Magra Inta 6 1200 Magra Inta 7 1200 Magra Inta 7 1200 Magra Inta 8 1200 Magra Inta 8 1200 Magra Inta 1 1200 Magra Inta 1 1200 Magra Inta 1 1200 Magra Inta 6 1200 Magra Inta 1 1200 Magra I	130 August 1512 Au	480 -15 17-15 +18 11-15 +18 13-76 -19 13-76 -19 13-76 -18 13-76 -18 13-76 -18 13-76 -18 13-76 -18 13-76 -18 13-76 -18 10 +18 10 +18	272100 Si 1900 Si 1900 Si 1700 Si 77700 Si 77700 Si 77700 Si 77700 Si 77800 Si 17800 Si 82700 To 82700 To 82800	servits 6 4 Syst Sally 14 Syst Sally 15 Sally 16 Sal	L
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			IND	CES					
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US equities weaken slightly in light trading

Wall Street

ALTHOUGH sbares in blne-chip and medium-sized companies traded in a narrow range in light volume yesterdey, secondary stocks posted solid gains amid strong demand for technology issues, writes Patrick Harverson in

At 1 pm, the Dow Jones Industrial Average was down 6.75 at 3,407.83. The more brnadly besed Stan-dard & Poor's 500 was up just 0.68 at 446.01, while the Amex composite was 0.49 firmer at 415.49, and the Nasdaq compos-ite up 4.03 et 696.24. Trading volume nn the NYSE was 148m shares by 1 pm.

After Tuesday's losses, the markets settled down as investors awaited the next blg move. There was no lead from the economy, but a firmer Treasury market provided some support. Dealers and investors were also pleased that trading vnlume has been relatively light during the recent self-off - an indication that the downward move in prices was a consolidatory move, and not e major shift in sentiment.

Among individual stocks, trading in Eastman Kodak was delayed due to an early order imbalance on the sell side. When business finally opened, the stock tumbled \$3 to \$50% on beavy selling, before recovering later to show a oet loss of \$1% at \$52 in volume of 2.3m

The market was reacting to a downgrade from Mr Eugene Glazer, the sector analyst at broking bouse Dean Witter Reynolds. Mr Glazer said be bad lowered his rating on Kodak from "huy" to "neutral" because he believed that the stock had become overpriced following its recent gains, and that investor expectations may have been driven too high. Ford eased \$\% to \$48\% after

the car manufacturer reported a big fourth quarter and full-

year loss that was roughly in line with market expectations. The other members of the Big Three, however, were firmer, with Chrysler up \$% at \$39% and General Motors up \$% at \$38%. The latter was helped by the news that the televisinn network NBC had publicly applingised for rigging tests that purported to show a GM truck bursting into flame after

Aetna Life & Casualty fell \$% to \$28% and Travelers eased \$% to \$28% after the two composite insurers unveiled blg fourth quarter losses incurred in the wake of a variety of special charges

On the Nasdaq market, technology stocks were strong, especially the semiconductor sector, which was boosted by news of strong orders from an industry group. Intel rose \$4 to \$114%, Applied Meterials advanced \$1/2 to \$37 and Altera climbed \$% to \$17%.

Canada

TORONTO rose sharply in active trade fuelled by a surge in gold shares. By 1 pm, the TSE-300 index bad climbed 27.23 to 3441.23 in volume of

Shares of the flagship Bronfman company Hees International Bancorp rose C\$1% or 26 per cent to C\$7% as the market continued to respond to Noranda Forest's spinoff of Mac-Millan Bloedel.

SOUTH AFRICA

STRONG overseas demand for gold shares boosted activity in the sector and the index ended 99, or 11 per cent, ahead at 990, but off the day's high of 1,011. Some analysts reported that new US huyers had come into the market, ettracted by the cheap levels of gold stocks. Vaal Reefs rose R17, or 10.4 per cent, to R180. The overall index put on 68 at 3,542 and industrials added 36 at 4,645.

Pharmaceuticals begin to lose their glamour

Paul Abrahams highlights the US/UK switch into cyclicals, and reservations about European growth

Pharmaceutical stocks, s salve for market woes for much of the receafor much of the recession, have started to wobble.

Most British and American drugs stocks have been caught as investors switch out of cal recovery plays - groups which have suffered during the slowdown in the world economy, but are likely to post significant earnings increases once it begins to pick up.

European drug groups have also suffered, because the ability of some companies to continue to churn out double-digit earnings growth is becoming increasingly questionable. The operating environment for fast, and changing for the

The main problem facing the sector is the issue of pricing. Governments around the globe, faced by rapidly growing healthcare spending, are turning their ettention to the apparently excessive profits of the drugs groups.

The governments' response

Japanese and German markets, the world's second and third largest respectively, botb endured price cuts last year.

In the US, legislation against groups which increase prices above the rate of inflation is also being threatened by the Clinton edministration The effect on the pharmacen-

ticals market has been a divergence between companies which, in the past, have driven earnings up with volume growth, and those which have produced it with price reases - and will no longer he able to do so. The most outstanding Euro-

pean drugs stock over the last six months has been the Swedish group Astra. The company is small com-

pared with Anglo-American industry giants but, nevertheless, it is the world's fastestgrowing drugs group. It has outperformed its local market by 35 per cent nver the last six months, rising from e low of Share prices rebased 110 Ciba Galgy (Felative to Swiss Bank Garanal Indios

terday at SKr677 in the "B"

Astra's volume growth has been outstanding in all of its three main therapeutic areas, gastrointestinal, respiratory and cardiovascular. It is also one of the few pure pharmaceuticals plays on the Euro-

During the first nine months of last year, sales of Losec, its by 41 per cent to SKr5bn, while those for Pulmicort, its asthma treatment, rose 59 per cent to SKrl.347bn.

The group is predicting a sales increase of up to 25 per cent for the full year, an impressive achievement. James Capel estimates that. during 1991, only 15 per cent of Astra's growth in the US was owed to price increases.

The other outstanding stock has been Roche, the Swiss concern, which has outperformed its local market by about 10 per cent since July. Roche, one of Switzerland's three chemicals giants, is the least exposed to cyclical non-drug

Similar to Astra, Roche is generating growth by increasing sales, rather than prices. With a wide portfolio of relatively small products in terms of sales, its drugs division increased its turnover last year by 16 per cent to SFr6.9bn. The other Swiss groups have

not performed so well. Sandoz has only tracked its domestic market nver the last six months. The problem is that Sandoz's pharmaceuticals and nutrition divisions have been held back by the remainder of the group.

Through its construction and chemical activities, the company has been exposed to recession. In addition, its agrochemicals division has also been hit by last year's reform of the European Community's common agricultural policy.

Ciba-Geigy, its Basic neigh-bour, is the world's largest agrochemical group and has also suffered from the downturn in the world economy.

lthough Ciba-Geigy's pharmacenticals sales have been growing fast, thanks partly to the group's highly successful US launch of its nicotine patch, its speciality chemicals operations have suffered from the general economic downturn.

James Capel estimates that 20 per cent of group operating profits are cyclical, compared with 8 per cent of Roche's. Ciba-Geigy's sbares have underperformed the local market by 10 per cent since July. In particular, the group has suffered from heavy selling of its Authorised Depositary Receipts (ADRs) in the US. Meanwhile, analysts are also

tipping Novo Nordisk because of its volume sales increases. James Capel estimates that only 5 per cent of the Danish company's operating profits are cyclical. The healthcare husiness is expected to produce double-digit sales growtb. es its insulin and hormone replecement theraples continue to do well.

It may also receive 6 boost from Seroxat, its anti-depressant which has just been launched in the US by Smith-Klins Beechsm. Anglo-American company,

Blg chemical groups with pharmaceutlcale divisions, such as Bayer, in Germany and Akzo, of the Netherlands have suffered from their vulnerability to economic cycles. However, investors may well be looking to pick np their usual, timing will be crucial.

Milan eases after resignation of justice minister

CORPORATE and political news dominated trading yester-day, writes Our Markets Staff. MILAN turned lower late in the day as Justice Minister Claudio Martelli - a member of Prime Minister Giuliano

Amato's Socialist party - resigned after being told be was under investigation on corruption charges. The Comit index ended down 3.53 at 496.15 and Italian shares quoted on the Seaq system in

London continued subse-

quently to trade lower. The bourse had unexpectedly overcome a weak start to trade higher for much of the afternoon session. However, analysts expect that the ever-widening political scandal, together with technical account-end considerations, will make for a choppy ride for the remainder of the week. Strong overseas demand for Stet took the telecommunica-tions holding company L23 higher to fix et L2,283, before L2,285 after hours. But Fondiaria, which

announced e board reshuffle.

dipped L192 to L29,008 before

sing to L28,973 in late trade, FRANKFURT saw a battle between hulls and bears produce a surge in market turn-over. The DAX index closed just 8.23 higher at 1,649.81, off an intraday high of 1,656.83, and the indications were that some of the remaining gains were being dissipated in after hours trading. Turnover rose to DM8.2bn from DM5.8bn.

Banks fell again after last week's gains, BHF losing DM5 to DM440 on news of a rights issue. Chemicals were relatively weak on average, Bayer adding a mere 10 pfg to DM257.70 as It detailed a cut in staff bonus payments.

The main winners were car makers, where Daimler rose DM11 to DM614, and electricals with AEG up DM5.40 to

FT-SE Actuaries Share Indices February 10 Hourly changes Opes 10.30 11.89 12.00 13.00 14.00 15.00 Cluss 1125 44 1126 43 1126 19 1127 47 1126 07 1125 67 1122 00 1121 50 FT-SE Forntrack 198 Feb 8 Feb 5 1124.14 1129.52 1097.03 FT-SE Eurotrack 100 FT-SE Eurotrack 200 1131.12 1113.35

DM168.90 and Siemens DM7.50 better at DM638.50. Dealers said that the main reason for the gains, with fund managers, especially foreigners, underweight in German shares, seemed to have operated irrespective of the depressing fundamentals for the car sector.

PARIS sold Michelin after the tyre group reported a fall in 1992 second half sales. While the figures only confirmed the depressed state of the sector the shares dipped FFr8.90 or 4.5 per cent to FFr187.40. The

Base value 1000 (28/10/90) Hankbar. 100 - 1127 51; 200 - 1179.39 (punktag: 100 - 1121.09 200 - 1170.48 . CAC-40 index, which had seen a day's high of 1,399, closed barely changed, down 0.73 at 1,893.32. Turnover was

UAP was another faller,

down FFr10 at FFr520, after releasing disappointing 1992 earnings after Tuesday's close. Schnelder gained FFr11 to FFr666 on news that it was to sell a subsidiary in an effort to

reduce debt. AMSTERDAM was interested in cyclicals while Fokker, which denied reports that

credit lines had heen uspended, fell to the day's low of Fl 8.40 before recovering slightly to close down FI 1.00 at F19.40. The CBS Tendency index was unchanged at 97.9 after a high of 98.5.

BRUSSELS was flat after a day of heavy and hectic trade as the market focused on further pressures on the Belgian franc and a subsequent interest rate rise. The Bel-20 index finished virtually unchanged, losing 0.09 to 1.213.85 in high volume of BFr1.71bn.

Electrabel lost BFr170 or 2.9 per cent to BFr5,720, but among dollar-oriented shares, Petrofina gained BFr170 or 23 per cent to BFr7,670.

MADRID was active in Ban-esto prior to the bank announcing that it had reached agreement for a US investment group to take a minority stake. The shares saw a high of Pta2,545 before closing Pta70 higher at Pta2,435. The general index eased 0.77 to 234.26 in turnover of Pta18.6bn. ZURICH was easier in quiet conditions that left the SMI index 14.9 lower at 2,120.8.

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STOCKHOLM was encouraged by hopes of lower interest rates while Ericsson remained a favourite following the release of good 1992 results on Tuesday, Its B shares closed up SKr11 at SKr220 in high volume. The Affärsväriden index gained 15.6 to 964.5 in turnover of SKr1.5bn.

OSLO remained active with the all-share index gaining 4.76 or 1,2 per cent to 406.62 in turnover of NKr509.1m. HELSINKI extended its gains as investors anticipated a number of company results, and the HEX index rose 15.4 to 936.4.

ISTANBUL broke through the 5,000 level in early trading before retreating on profit-taking. The 75-share index closed down 28.98 to 4.943.40 in turnover of TL500bn.

ASIA PACIFIC

Nikkei firmer ahead of options settlements MICH-I-AC

Tokyo

A ROUND of small-lot buying at the end of the session lifted share prices, and the Nikkei average closed moderately higher amid quiet pre-hollday trading, writes Emiko Terazono

in Tokyo. The 225-issue average gained 67.73 at 17,089.90, having fallen to the day's low of 16,897.86 in the morning session. It recovered towards the close and hit the day's high of 17,092.00.

Volume was little changed at 190m shares against 186m. Activity centred on position adjustment and technical trad-ing by dealers and arbitrageurs ahead of Friday's options settlements. Declines, bowever, retained a small lead over rises at the close by 474 to 436, with 198 issues unchanged. The Topix index of all first section stocks lnst a net 0.17 at 1,295.93, and in London the ISE!Nikkei 50 index eased 0.38

Mnst investors remained absent abead of todey's natinnal boliday. The sharp

NATIONAL AND REGIONAL MARKETS

rise in the yen against the dol-lar also unnerved some investors, while the weekend meeting between Mr Yoshiro Hayashi, finance minister, and Mr Lloyd Bentsen, US treasury secretary, was also focusing

Traders said prices moved forward just before the close in technical trading linked to options activity. The settle-ment price for February options contracts will be fixed

on Friday morning. Export-oriented high technology issues lost ground on the ogy issues lost ground on the higher yen. Fujitsu retreeted 720 to Y537, while Sony fell Y60 to Y4,080 and TDK, the tape maker, lost Y120 to Y3,370. Speculative trading by deal-ers also led activity. Gajoen Kanko the siling hotel and Kanko, the ailing hotel and restaurant operator, advanced Y25 to Y265 and Nagase moved ahead Y45 to Y830.

Isuzu Motors, the most active issue of the day, rose Y6 to Y380 on the "restructuring theme", while Nissan Chemical appreciated Y8 tn Y758. Non-ferrous metal producers

| 195.25 | 106.86 | 123.44 | 13 | 108.27 | 129.33 | 120.93 | 106.86 | 117.14 | 117.14 | 117.14 | 117.14 | 117.14 | 117.15 | 114.83 | 128.57 | 131.28 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.87 | 133.8

-0.8 188.52 139.54 156.23 181.90
-1.0 140.45 103.95 118.39 129.22 144.01 152.79 113.08 126.62 144.01 150.10 116.04 85.86 96.16 86.13 +0.1 125.90 93.17 104.33 104.44 -0.5 184.38 136.48 152.82 176.68 -0.4 122.30 90.53 101.37 106.98 +0.1 127.19 94.14 105.40 108.50 +0.1 127.19 94.14 105.40 108.50 +0.0 144.71 107.11 119.94 125.77 -0.2 146.60 108.66 121.68 129.26 -0.8 167.16 123.73 138.54 157.36

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eased on falling gold prices.

144 37 121 73 207.12 69.09 155.16 113.28 240.02 138.09 62.56 111.07

+1.0 111.07 -0.1 278.01 -0.9 1615.24 +0.1 162.04 -0.5 44.77 +3.5 148.98 +0.4 226.75 +1.0 172.45 -1.9 131.36 +1.1 185.51 +0.1 115.75 -2.0 169.35 -0.8 188.52

159.70 111.68 163.40 181.90

Sumitomo Metal Mining lost Y1 to Y649 and Mitsubishi Housing-related stocks

advanced on reports of strong condominium sales in January. Daikyo, the leading condominium developer, rose Y29 to Y824 and Mitsui Home gained Y50 to Y1,570 on the second

Some oil refiners were firmer on prospects of lower oil import prices due to the higher yen: Showa Shell Sekiyu put on Y30 et Y1.490. Arabian Oil climbed Y50 to Y3,700 on reports that a consortium, including the company, had started an oil development project off the Vietnamese

In Osaka, the OSE everage slipped 22.18 to 18.474.38 in volume of 52.4m shares.

took e lead from better than

182.97 188.45 143.37 157.39 182.97 136.92 141.02 107.28 117.78 130.33 146.85 151.24 115.06 128.31 143.49 110.88 114.20 85.85 86.38 86.88 121.41 125.04 95.12 104.43 105.34 178.88 184.23 140.17 153.89 177.83 116.45 121.88 82.82 101.91 107.52 157.96 162.68 123.78 135.88 147.78 122.63 126.30 95.09 105.49 107.34 139.65 143.83 109.42 120.14 126.55 141.96 148.21 111.24 122.12 130.18 162.30 167.18 127.18 139.63 158.25

Roundup

Gross Drv. Yield

+1.9 3.84 -0.1 1.86 -0.8 5.18 +0.7 3.05 -1.4 1.59 +1.0 1.74 -0.5 3.42 -0.2 2.43 -1.2 4.17 -2.3 3.93 -1.2 4.17 -2.3 1.01 +0.1 2.45 -1.0 1.14 +0.0 4.29 -0.1 4.84 +3.5 1.98 +0.8 3.01 -0.6 2.77

-0.8 3.65 +0.4 2.07 -0.6 1.35 -0.8 2.36 -0.5 2.79 -0.5 3.14 +0.7 3.58 -0.6 2.47 -0.8 2.37 -0.7 2.56 -0.8 3.10

The World Index (2208)... 141.71 -0.2 145.87 108.71 121.72 129.52 -0.7 2.57 142.01 146.26 111.27 122.18 130.53 153.70 130.66 147.58

POLITICAL considerations came to the fore in snme Pacific Rim markets **AUSTRALIAN** shares were mostly firmer as the market

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited

in conjunction with the Institute of Actuaries and the Faculty of Actuaries

expected half-year results from Commonwealth Bank of Australia. The All Ordinaries index added 7.2 at 1,591.1 in turnover

that slowed to A\$153m. Shares in Commonwealth Bank, in which the government has a 70 per cent stake, were 23 cents higher et A\$6.20. HONG KONG began quietly,

again inhibited by the political outlook, but a late burst of buying, particularly of banking shares, helped the Hang Seng index finisb 45.03 stronger at 5,835.55 in turnover of HK\$1.9bn TAIWAN made a strong start

but succumbed to heavy profittaking in reaction to news that Provincial Governor Lien Chan was being nominated as premier. The weighted index, more than 80 points higher et mid-morning, ended e net 58.93 down et 3,578.10.

BANGKOK was led higher by demand for bank shares and the SET index gained 17.45, or

1.8 per cent, at 990.13.

BOMBAY rose for the third consecutive session, with speculative buying taking the BSE index up 40.44 to 2,812.12.

Corsair Partnership, L.P.

a newly formed investment partnership that will make noncontrolling investments in financial institutions .

\$1,000,000,000

Private placement of limited partnership interests

The undersigned structured and placed the limited partnership interests and acts as general partner

JPMorgan

January 1993

All of these securities have been sold. This announcement appears as a matter of record only.



